

## **ALPENA PUBLIC SCHOOLS**

Audited Financial Statements and  
Other Supplementary Financial Information  
Year Ended June 30, 2008



*moving forward together*

**Straley, Ilsley & Lamp P.C.**

**ANNUAL FINANCIAL REPORT  
OF  
ALPENA PUBLIC SCHOOLS**

**2373 Gordon Road  
Alpena, Michigan 49707  
(989) 358-5000**

**Year Ended June 30, 2008**

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### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

We have audited the accompanying basic financial statements of **Alpena Public Schools**, as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of **Alpena Public School's** management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of **Alpena Public Schools** as of June 30, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated October 1, 2008, on our consideration of **Alpena Public School's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

#### Required Supplemental Information

The Management's Discussion and Analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Individual Fund Financial Statements and Other Supplemental Information

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the **Alpena Public Schools**, taken as a whole. The accompanying information identified in the table of contents as individual financial statements and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements of **Alpena Public Schools**, Alpena, Michigan. The accompanying schedule of expenditures for federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of **Alpena Public Schools**, Alpena, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.

*Serakey, Irlsky & Lamp P.C.*

October 1, 2008

## Alpena Public Schools Management's Discussion and Analysis



The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Alpena Public Schools financially as a whole. The *Government-Wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

#### **Management's Discussion and Analysis (MD&A) (Required Supplemental Information)**

##### **Basic Financial Statements**

Government-Wide Financial Statements      Fund Financial Statements  
Notes to the Basic Financial Statements

##### **Required Supplemental Information**

Budgetary information for General Fund and  
Special Revenue (School Service) Funds  
Internal Service Fund

##### **Other Supplemental Information**

Individual Fund Statements  
Federal Financial Assistance

### **Reporting the School District as a Whole – Government-Wide Financial Statements**

The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net assets includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of Alpena Public Schools.

## **Alpena Public Schools Management's Discussion and Analysis**



The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics and food services. Property taxes, unrestricted state aid (foundation allowance) and state and federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the Food Service and Athletics Funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The School District operates a proprietary fund that is comprised of an internal service fund. This fund accounts for services provided to the District's other funds. The District's self-funded health insurance, prescription drug insurance program, and self-funded dental and vision plans are accounted for in this fund.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is a trustee, or fiduciary, for its student activity and scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We excluded these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2008 and 2007.



**Alpena Public Schools  
Management's Discussion and Analysis**



<b>TABLE 1</b>	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Current and Other Assets	\$ 12,241,264	\$ 11,514,960
Property and Equipment	<u>31,494,728</u>	<u>32,013,838</u>
<b>Total Assets</b>	<b><u>\$ 43,735,992</u></b>	<b><u>\$ 43,528,798</u></b>
<b>LIABILITIES</b>		
Current Liabilities	\$ 6,473,954	\$ 5,728,424
Long-Term Liabilities	<u>18,786,007</u>	<u>19,715,980</u>
<b>Total Liabilities</b>	<b><u>\$ 25,259,961</u></b>	<b><u>\$ 25,444,404</u></b>
<b>NET ASSETS</b>		
Invested in property and equipment - net of related debt	\$ 11,569,954	\$ 11,252,526
Restricted	295,098	318,775
Unrestricted		
Designated	1,218,252	1,514,025
Undesignated	<u>5,392,727</u>	<u>4,999,068</u>
<b>Total Net Assets</b>	<b><u>\$ 18,476,031</u></b>	<b><u>\$ 18,084,394</u></b>

The above analysis focuses on the net assets. The School District's net assets increased by \$391,637 for the year ended June 30, 2008. The School District's net assets were \$18,476,031 at June 30, 2008. Capital assets, net of related debt totals \$11,569,954 and compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$295,098 are reported separately to show legal constraints from enabling legislation that limit the School District's ability to use those assets for day-to-day operations. The remaining amount of the net assets of \$6,610,979 was unrestricted and of this balance \$1,218,252 has been designated for specific uses.

The \$6,610,979 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The major components of the net increase in net assets are as follows:

*Operations* – Operational expenditures exceeded revenues by \$268,446 thereby decreasing assets.

*Capital Acquisitions* – The District invested \$604,279 in fixed asset additions during the year.

*Depreciation Expense* – Recording depreciation expense of \$1,219,943 recognizes wear and tear on the District's buildings, equipment, vehicles, etc. Depreciation expense reduces the net book value of those assets.

*Debt Repayment* – The District repaid \$1,045,332 in long-term debt, which has the effect of increasing net assets.

## Alpena Public Schools Management's Discussion and Analysis



The results of this year's operations for the governmental activities of the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2008 as compared to fiscal 2007:

<b>TABLE 2</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 3,791,680	\$ 1,780,643
Operating grants	5,564,062	5,138,808
General revenue:		
Property taxes	10,225,501	9,884,348
State aid – Unrestricted	25,830,999	26,221,975
Investment Earnings	246,537	259,360
Other	<u>312,339</u>	<u>281,724</u>
Total revenue	<u>\$ 45,971,118</u>	<u>\$ 43,566,858</u>
<b>Functions/Program Expenses</b>		
Instruction	\$ 24,091,318	\$ 24,200,032
Support services	16,456,585	14,133,556
Community Services	97,998	19,426
Food Service	2,019,874	1,916,178
Athletics	446,737	435,084
Payments to other governments	153,250	189,403
Facilities acquisition	6,823	-
Interest on long-term obligations	1,086,953	1,013,303
Depreciation (unallocated)	<u>1,219,943</u>	<u>1,225,938</u>
Total expenses	<u>45,579,481</u>	<u>43,132,920</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 391,637</u>	<u>\$ 433,938</u>

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$45,579,481. Certain activities were partially funded from those who benefited from the programs - \$3,791,680 - or by other governments and organizations that subsidized certain programs with grants and contributions - \$5,564,062. We paid for the remaining "public benefit" portion of our governmental activities with \$10,225,501 in taxes, \$25,830,999 in unrestricted state aid and with our other revenues (i.e., interest and other general revenue).

As discussed above, Table 2 shows the financial burden that was placed on the State and the School District's taxpayers by each of the functions listed. Since property taxes for operations and unrestricted state aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health. As the School District completed this year, the governmental funds reported a combined fund balance of \$6,889,685, which is a decrease of \$268,446 from last year.

## **Alpena Public Schools Management's Discussion and Analysis**



The decrease is due to planned spending as, in fact, the budget assumed more use of fund balance than occurred. Operating under the premise that school funding follows the economic condition of the State of Michigan and, hoping for the eventual recovery of Michigan's economy, the Board has devoted a portion of fund balance each of the last several years to tempering the budget reductions that would be necessary to maintain zero use of fund balance. Through the gradual use of the fund balance the School District has been able to protect a balanced and quality educational program. In doing so, it is hoped that the School District can outlive Michigan's economic downturn without reducing the educational opportunities of Alpena's students to a minimal and basic program level.

This decision by the Board must be confronted annually and each time the Board makes cuts in program and draws down some of the fund balance to make those wounds less deep. This decision was again made for the 2008-09 fiscal year. The 2008-09 budget as adopted in June of 2008 assumes the use of \$1,271,061 in fund balance. Unfortunately, this assumed use was also premised upon \$30 more per child than is now expected in 08-09 state funding. Further, District enrollment will fall short of projected numbers. The Board of Education is fully aware that this heavy dependence upon fund balance to subsidize the budget cannot continue.

Our Special Revenue Funds showed a modest gain for the year, posting a net increase of \$11,265. The net result is a Special Revenue Fund Balance of 9% of operating expenditures. This is good news, as it will allow the special revenue funds to continue operating without subsidy from the General Fund, which is in no position to be called upon for funds.

The Debt Service Fund showed a fund balance decrease of \$45,637. The Debt Service Fund millage rate was reduced .05 mills in 2007-08 from 2.0000 mills to 1.9500 mills. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service.

On February 19, 2008, the Alpena Public Schools issued \$8,130,000 in Refunding Bonds with an average interest rate of 3.39% to advance refund \$1,180,000 of outstanding 1996 School Building and Site Bonds with an average interest rate of 5.63% and to advance refund \$7,105,000 of outstanding 1998 Refunding Bonds from the above-noted October 15, 1998 Refunding issue with an average interest rate of 4.61%. The net proceeds of \$8,145,715 (after payment of \$120,572 in underwriting fees, insurance, and other issuance costs) plus an additional \$299,346 of Debt Retirement Fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portions of the 1996 School Building and Site and 1998 Refunding Bonds. As a result, the \$1,180,000 and \$7,105,000 of the respective bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The Alpena Public Schools advance refunded the 1996 School Building and Site and 1998 Refunding Bonds to reduce its total debt service payments for years 2010 through 2022 by \$860,132 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$660,692.

The Debt Service Fund balance is reserved since it can only be used to pay debt service obligations. An attempt is made to levy millage in such an amount so that annual debt service requirements can be met without generating excess fund balance. However, a baseline fund balance is necessary because summer tax collections alone are not sufficient to make the November 1 bond payment. Levying enough millage to meet the November 1 payment would result in over-levying for the year.

## **Alpena Public Schools Management's Discussion and Analysis**



The Capital Projects Fund was established in the 2004-05 fiscal year by action of the Board of Education. For many years the School District has allocated funds using operating sources to preserve and maintain its infrastructure. More recently, the District began allocating similar dollars to protect its investment in educational technologies. By establishing the Capital Projects Fund, the District hopes to make it easier for the public to understand the commitment to these two efforts. Any unspent annual appropriations transferred to the Capital Projects Fund will remain designated for the long-range maintenance and technology projects.

The Capital Projects Fund showed a fund balance decrease of \$67,173. The Capital Projects Fund is funded with transfers from the General Fund earmarked for specific projects. Therefore, any fund balance that might be accumulated from year to year is to be carried forward to the ensuing fiscal year and designated for those projects through re-appropriation. Since much of the work is performed during the summer months, fund balance at June 30<sup>th</sup> is often used during July and August.

The Internal Service Fund showed income from operations of \$334,230 or 17% of operating expenditures. Expanded in 2007-08 to include health, dental and vision self-funded insurance programs as well as prescription drugs, this income will provide a safety net and allow the School District to smooth out unexpected spikes in cost in the funds served by programs.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually approved just prior to year-end. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements).

A large portion of School District funding is in the form of state and local grants. It is common to receive notification of grant awards subsequent to the adoption of the original budget and throughout the year. Grant awards can also vary significantly from original estimates. Furthermore, many of our grants are in fact fifteen-month grants. Ongoing labor negotiations also create the need for frequent revisions. All of these things may necessitate budget amendments during the year.

On the revenue side, federal revenues were less than budgeted by about 7%. This is due in large part to the fact that federal grant awards overlap the fiscal year. On the expenditure side, budget variances were immaterial and less than 3% in major expenditure categories. The School District has a fully functional system of budgetary control in place but as dollars get tighter and uncertainty increases it will become more difficult to monitor.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At June 30, 2008 the School District had \$31,393,400 invested in a broad range of capital assets, including land, buildings, furniture and equipment, school buses, and vehicles. This amount represents a net decrease (including additions, deductions, and depreciation) of \$620,438 or 1.9 percent, from last year.

# Alpena Public Schools Management's Discussion and Analysis



<b>Capital Assets</b>	<b>2008</b>	<b>2007</b>
Assets not being depreciated – Land	\$ 3,402,222	\$ 3,402,222
Building and building improvements	41,663,710	41,326,283
Furniture and equipment	7,557,457	7,524,296
School buses	2,057,378	2,057,378
Fleet vehicles	<u>474,417</u>	<u>467,851</u>
Total capital assets	\$ 55,155,184	\$ 54,778,030
Less accumulated depreciation	<u>23,761,784</u>	<u>22,764,192</u>
Net capital assets	\$ <u>31,393,400</u>	\$ <u>32,013,838</u>

This year's additions of \$604,279 included equipment, technology, building renovations, and furniture. A lease-purchase agreement was entered into for \$84,318 in funds. The balance of these purchases was not financed.

Several capital projects are planned for the 2008-2009 fiscal year as the School District has allocated \$500,000 to fund its long-range maintenance plan. We anticipate capital additions will be approximately the same in the 2008-2009 fiscal year because the available resources include prior year unspent balances. We present more detailed information about our capital assets in the notes to the financial statements.

## **Debt**

At the end of this year, the School District had \$19,456,290 in outstanding bonded debt versus \$20,510,000 million last year – a decrease of \$1,053,710 or 5 percent.

The School District's general obligation bonds are all insured. The insured credit ratings vary by issue. The 1996 bonds are insured by MBIA which is rated AA from Standard and Poor's and A2 from Moody's Rating Service. The 1998 and 1999 bonds are insured by FGIC which is rated BB by Standard & Poor's and B1 by Moody's. The 2008 bonds are insured by Assured Guaranty which is rated AAA by Standard & Poor's and Aaa by Moody's. The underlying credit is for the State of Michigan, which is rated AA- by Standard and Poor's and Aa3 by Moody's Rating Service. The State limits the amount of general obligation debt that schools can issue to 15 percent of the state equalized value of all taxable property within the School District's boundaries.

If the School District issues "Qualified Debt," that is debt backed by the State of Michigan; such obligations are not subject to this debt limit. The School District has no unqualified general obligation debt; the statutorily imposed debt limit is over \$209 million.

Other obligations include compensated absences and capital leases. More detailed information about our long-term liabilities is contained in the notes to the financial statements.

**Alpena Public Schools  
Management's Discussion and Analysis**



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**Economic Factors and Next Year's Budgets and Rates**

The School Board and administration considered many factors when establishing the School District's 2008-09 fiscal year budget. One of the most important factors affecting the budget is the student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowed per pupil, less local property taxes. The blended count for the 2008-09 fiscal year will be 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2008-09 budget was adopted in June 2008, based on an estimate of students enrolled for the 2008-09 school year. Approximately 65 percent of total General Fund revenue is from the State's portion of the foundation allowance (net of property taxes.) Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, the School District's funding is heavily dependent on the State's ability to fund local school operations.

We now know that the fall student count will be about 70 students less than the estimates used in creating the 2008-09 budget. The estimate was a loss of about 102 students resulting in an estimated count that is 172 students lower than the prior year's actual enrollment, as enrollment continues to decline without apparent pattern.

Even though the 2008-09 budget is heavily dependent upon fund balance, this was not the sole means the Board of Education used to balance the budget. Five teaching positions (from 240 to 235) were eliminated from the budget through attrition. Because the enrollment was less than predicted, class sizes actually decreased slightly. In addition, a change in the way health insurance coverage in the district is financed (from self-rated to self-funded) is expected to save about \$425,000.

The 2008-09 per pupil amount has been legislatively established at \$7,316. The 2008-09 budget, adopted prior to that legislation, assumed that the per-pupil amount would be \$7,346. Consequently the District will receive \$30 less than anticipated per student. Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. Mid-year reductions are not unprecedented. The economic health of the state of Michigan continues to rank at or near the bottom amongst the 50 states and funding continues to be tenuous. As of this writing, it also appears likely that the entire U.S. will enter a prolonged recession as a result of the sub-prime mortgage crisis. Once the final student count is confirmed, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations. It is likely that the budget will have to be adjusted by at least \$550,000 to reflect changed circumstances.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office at 2373 Gordon Road, Alpena, Michigan 49707 or (989) 358-5000.

Diane M. Block  
Assistant Superintendent for Operations

## **BASIC FINANCIAL STATEMENTS**



Alpena Public Schools

**STATEMENT OF NET ASSETS**

June 30, 2008

	Governmental Activities
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 6,036,161
Deposits held	124,132
Receivables	
Taxes	71,172
Accounts	235,119
Interest	16,818
Due from other governmental units	5,277,665
Inventories	91,079
Prepaid expenses	39,350
Other assets	349,768
Total Current Assets	<u>12,241,264</u>
<b>NON-CURRENT ASSETS</b>	
Deferred issuance costs - net	101,328
Capital assets	55,155,184
Less: Accumulated depreciation	<u>(23,761,784)</u>
Total Non-Current Assets	<u>31,494,728</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 43,735,992</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 166,821
Accrued interest	162,133
Other accrued expenses	1,762,527
Salaries payable	2,782,401
Due to other governmental units	43
Note payable	228,571
Deferred revenue	64,428
Current portion of long-term debt	<u>1,307,030</u>
Total Current Liabilities	<u>6,473,954</u>
<b>NON-CURRENT LIABILITIES</b>	
Deferred gain on bond refunding (net)	117,544
Non-current portion of long-term debt (net)	<u>18,668,463</u>
Total Non-Current Liabilities	<u>18,786,007</u>
<b>TOTAL LIABILITIES</b>	<u>25,259,961</u>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	11,569,954
Restricted	295,098
Unrestricted	
Designated	1,218,252
Undesignated	<u>5,392,727</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 18,476,031</u></u>

The accompanying notes to financial statements are an integral part of this statement.



Alpena Public Schools

**STATEMENT OF ACTIVITIES- GOVERNMENTAL ACTIVITIES**

Year ended June 30, 2008

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Assets
FUNCTION / PROGRAMS				
Instruction	\$ 24,091,318	\$ 397,288	\$ 3,038,688	\$ (20,655,342)
Supporting services	16,456,585	2,313,815	1,281,598	(12,861,172)
Community services	97,998	-	96,512	(1,486)
Food services	2,019,874	933,334	994,009	(92,531)
Athletics	446,737	147,243	-	(299,494)
Payments to other governments	153,250	-	153,255	5
Facilities acquisition	6,823	-	-	(6,823)
Interest on long-term obligations	1,086,953	-	-	(1,086,953)
Depreciation - unallocated	1,219,943	-	-	(1,219,943)
Total Governmental Activities	<u>45,579,481</u>	<u>3,791,680</u>	<u>5,564,062</u>	<u>(36,223,739)</u>
General Revenues:				
Property taxes, levied for general purposes				8,185,704
Property taxes, levied for debt service				2,039,797
State aid				25,830,999
Investment earnings				246,537
Miscellaneous				<u>312,339</u>
Total General Revenues				<u>36,615,376</u>
Change in Net Assets				391,637
Net Assets - Beginning of the year				<u>18,084,394</u>
Net Assets - End of the year				<u>\$ 18,476,031</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2008

	General	Special Revenue	Debt Service	Capital Outlay	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,784,279	\$ 77,088	\$ 174,794	\$ -	\$ 6,036,161
Receivables					
Taxes	63,996	-	7,176	-	71,172
Accounts	73,846	39,864	-	6,545	120,255
Interest	16,818	-	-	-	16,818
Due from other governmental units	5,134,385	140,191	3,089	-	5,277,665
Due from other funds	-	23,848	18,960	779,513	822,321
Inventories	27,055	64,024	-	-	91,079
Prepaid expenses	31,555	-	-	-	31,555
Other assets	349,768	-	-	-	349,768
Total assets	<u>\$ 11,481,702</u>	<u>\$ 345,015</u>	<u>\$ 204,019</u>	<u>\$ 786,058</u>	<u>\$ 12,816,794</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 148,056	\$ 10,558	\$ -	\$ 8,207	\$ 166,821
Accrued expenses	778,927	-	-	-	778,927
Salaries payable	2,782,401	-	-	-	2,782,401
Notes payable	228,571	-	-	-	228,571
Due to other governmental units	43	-	-	-	43
Due to other funds	1,809,563	96,355	-	-	1,905,918
Deferred revenue	63,853	575	-	-	64,428
Total liabilities	<u>5,811,414</u>	<u>107,488</u>	<u>-</u>	<u>8,207</u>	<u>5,927,109</u>
Fund Equity					
Fund balances					
Reserved	27,055	64,024	204,019	-	295,098
Unreserved					
Designated	438,256	2,145	-	777,851	1,218,252
Undesignated	5,204,977	171,358	-	-	5,376,335
	<u>5,670,288</u>	<u>237,527</u>	<u>204,019</u>	<u>777,851</u>	<u>6,889,685</u>
Total liabilities and fund balances	<u>\$ 11,481,702</u>	<u>\$ 345,015</u>	<u>\$ 204,019</u>	<u>\$ 786,058</u>	<u>\$ 12,816,794</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES**

June 30, 2008

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Total Governmental Fund Balances		\$ 6,889,685
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	\$ 55,155,184	
Less: Accumulated depreciation	<u>(23,761,784)</u>	31,393,400
Accrued interest on long-term debt		(162,133)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable (net)	(19,670,014)	
Capital leases payable	(135,969)	
Compensated absences payable	<u>(160,468)</u>	(19,966,451)
Other long-term items are not available for for current period activities and, therefore, are deferred in the funds. These deferred charges consist of:		
Bond issuance costs		116,918
Deferred gain on refunding		(135,628)
Current year amortization of these deferred items		1,247
The Internal Service Fund is used by management to charge the costs of activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.		
		<u>338,993</u>
Total Net Assets - Governmental Activities		<u><u>\$ 18,476,031</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
GOVERNMENTAL FUNDS**

Year ended June 30, 2008

	General	School Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Local sources					
Property taxes	\$ 8,116,831	\$ -	\$ 2,039,797	\$ -	\$ 10,156,628
Special education	840,219	-	-	-	840,219
Investment earnings	218,919	1,111	26,507	-	246,537
Food sales and athletics admissions	-	1,062,094	-	-	1,062,094
Other local sources	878,306	18,483	-	-	896,789
State sources	27,036,876	126,290	-	-	27,163,166
Federal sources	2,359,486	994,009	-	-	3,353,495
Total revenues	39,450,637	2,201,987	2,066,304	-	43,718,928
<b>EXPENDITURES</b>					
Current:					
Instruction	24,097,884	-	-	-	24,097,884
Supporting services	14,067,731	119,111	-	388,611	14,575,453
Community services	97,998	-	-	-	97,998
Food services	-	2,019,874	-	-	2,019,874
Athletics	-	446,737	-	-	446,737
Payments to other governments	153,250	-	-	-	153,250
Facilities acquisition	6,813	-	-	463,417	470,230
Debt service					
Principal	10,332	-	1,035,000	-	1,045,332
Bond issuance costs	-	-	116,918	-	116,918
Interest and fees	3,675	-	1,076,941	-	1,080,616
Total expenditures	38,437,683	2,585,722	2,228,859	852,028	44,104,292
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,012,954	(383,735)	(162,555)	(852,028)	(385,364)
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunded bonds issued	-	-	8,130,000	-	8,130,000
Bond premium	-	-	136,290	-	136,290
Payment to refunded bond escrow agent	-	-	(8,149,372)	-	(8,149,372)
Transfers to/from other funds - net	(1,179,855)	395,000	-	784,855	-
	(1,179,855)	395,000	116,918	784,855	116,918
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(166,901)	11,265	(45,637)	(67,173)	(268,446)
<b>FUND BALANCES, beginning of the year</b>	5,837,189	226,262	249,656	845,024	7,158,131
<b>FUND BALANCES, end of the year</b>	\$ 5,670,288	\$ 237,527	\$ 204,019	\$ 777,851	\$ 6,889,685

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2008

Total net change in fund balances - governmental funds		\$	(268,446)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Depreciation expense	\$	(1,219,943)	
Capital asset additions		<u>604,279</u>	
			(615,664)
Net book value of disposed assets not reflected in Governmental Funds			(4,774)
Net change in accrued interest on long-term liabilities			
Accrued interest at June 30, 2008		(162,133)	
Accrued interest at June 30, 2007		<u>163,591</u>	
			1,458
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.			
Acquisition of equipment with capital lease		(108,713)	
Debt service - principal payments		<u>1,045,332</u>	
			936,619
Bond Refunding Activities:			
Issuance of debt		(8,130,000)	
Bond premium		(136,291)	
Refunded debt		8,285,000	
Issuance costs		116,918	
Deferred gain on refunding		(135,628)	
Current year amortization of deferred items		<u>1,247</u>	
			1,246
Net change in accrued compensated benefits on long-term liabilities			
Accrued vacation pay at June 30, 2008		(160,468)	
Accrued vacation pay at June 30, 2007		<u>167,436</u>	
			6,968
The Internal Service Fund is used by management to charge the costs of activities to individual funds. The activities of the internal service fund is reported with governmental activities.			
			<u>334,230</u>
Change in Net Assets of Governmental Activities		\$	<u>391,637</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**INTERNAL SERVICE FUND**

**BALANCE SHEET**

June 30, 2008

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**ASSETS**

Accounts receivable	\$ 114,864
Deposits held	124,132
Due from other funds	<u>1,083,597</u>
Total assets	<u>\$ 1,322,593</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable	\$ 63,028
Employee benefits payable	<u>920,572</u>
Total liabilities	<u>983,600</u>
Net assets	
Unreserved, undesignated	<u>338,993</u>
Total equity	<u>338,993</u>
Total liabilities and equity	<u>\$ 1,322,593</u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Year ended June 30, 2008

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**OPERATING REVENUES**

Local sources	
Charges to other funds - insurance	\$ 2,223,062
Miscellaneous	24,861
	<hr/>
Total revenues	2,247,923
	<hr/>

**OPERATING EXPENSES**

Staff services	
Employee benefits	1,112,319
Purchased services	110,492
Supplies and materials	690,882
	<hr/>
	1,913,693
	<hr/>
Total expenses	1,913,693
	<hr/>

<b>CHANGES IN NET ASSETS</b>	334,230
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<b>NET ASSETS</b> , beginning of the year	4,763
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<b>NET ASSETS</b> , end of the year	<u><u>\$ 338,993</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2008

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Charges to other funds - insurance	\$ 1,086,619
Miscellaneous	24,861
Cash paid to service providers	<u>(1,111,480)</u>

Cash flows provided by operating activities	<u>-</u>
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<b>CASH AND CASH EQUIVALENTS</b> , beginning of the year	<u>-</u>
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<b>CASH AND CASH EQUIVALENTS</b> , end of the year	<u><u>\$ -</u></u>
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**Reconciliation of operating income to net cash from  
Operating activities:**

Operating Income	<u>\$ 334,230</u>
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Adjustments:

Increase in accounts receivable	114,864
Increase in deposits held	124,132
Increase in due from other funds	1,021,887
Increase in accrued expenses	(902,297)
Increase in accounts payable	<u>(24,356)</u>

	<u>334,230</u>
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<b>Net cash provided by operating activities</b>	<u><u>\$ -</u></u>
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The accompanying notes to financial statements are an integral part of this statement.



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Alpena Public Schools

**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

June 30, 2008

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	<u>Agency Fund</u>	<u>Scholarship Trust Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 291,674</u>	<u>\$ 33,345</u>
Total assets	<u><u>\$ 291,674</u></u>	<u><u>\$ 33,345</u></u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Deposits held	<u>\$ 291,674</u>	<u>\$ -</u>
Total liabilities	<u>291,674</u>	<u>-</u>
Net assets		
Reserved for scholarships	<u>-</u>	<u>33,345</u>
Total Liabilities and Equity	<u><u>\$ 291,674</u></u>	<u><u>\$ 33,345</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

Year Ended June 30, 2008

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	Scholarship Trust Funds
	<hr/>
<b>ADDITIONS</b>	
Private sources (contributions)	\$ 1,200
Earnings on investments and deposits	<hr/> 1,312
Total additions	<hr/> 2,512
<b>DEDUCTIONS</b>	
Scholarships awarded	<hr/> 4,500
<b>CHANGE IN NET ASSETS</b>	(1,988)
<b>NET ASSETS</b> - Beginning of the year	<hr/> 35,333
<b>NET ASSETS</b> - End of the year	<hr/> <hr/> \$ 33,345

The accompanying notes to financial statements are an integral part of this statement.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.**

The financial statements of Alpena Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below:

**A. Description of Operations and Reporting Entity.**

**Description of Operations.** The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services as mandated by the State of Michigan and/or federal agencies. The Alpena Public Schools were organized as part of an Alpena County school consolidation in 1963. This Board of Education controls the School District's instructional and support facilities and provides services to approximately 4,640 students in grades K-12.

**Reporting Entity.** A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Alpena Public Schools, this includes general operations, food services, athletics and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

**B. Fund Accounting.**

**Fund Accounting.** The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

**Governmental Funds.** Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**General Fund.** This fund is used to record the general operations of the School District pertaining to education and those transactions not accounted for in another fund. Included are all transactions related to the approved current operating budget.

The expenditures are classified in accordance with the latest edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

**Instruction** - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Supporting Services** - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

**Community Services** - Community services consist of those activities that are not directly related to providing education for pupils in a school system. These include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, programs of custody and care of children, and community welfare activities.

**Special Revenue Funds.** Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specific purposes. The only special revenue fund is the School Service Fund which maintains the school's food service and athletics activities.

**Debt Service Fund.** The Debt Service Fund is used to account for the accumulation of resources, and for the payment of general long-term debt principal, interest and related costs.

**Capital Projects Fund.** The Capital Projects Fund is used to account for resources for the acquisition of capital facilities by the District.

**Internal Service Fund.** The Internal Service Fund is used to report activities that provide goods or services to other funds, on a cost-reimbursement basis.

**Fiduciary Funds.** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

**C. Basis of Presentation.**

**Government-wide Financial Statements.** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Alpena Public Schools are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements.** Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The School District has elected to present all governmental funds as major funds. Fiduciary funds are reported by fund type.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting.**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

**Revenues.** Exchange and non-exchange transactions revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

**Deferred Revenue.** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Expenses/Expenditures.** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**Cash and Cash Equivalents.** Cash equivalents include certificates of deposit and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

During the fiscal year ended June 30, 2008, investments were limited to certificates of deposit and the Michigan Liquid Asset Fund (MILAF). MILAF is an investment pool managed by The PFM Group, which allows school districts within the State of Michigan to pool their funds for investment purposes. Investments in MILAF are valued at cost, which equals market value.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Inventories and Supplies.** On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

**Prepaid Assets.** Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Capital Assets.** General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
School Buses	10 years
Fleet Vehicles	8 years

**Interfund balances.** On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences.** The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation pay has been accrued as a long-term liability. Vacation pay of up to 22 days annually is earned by school employees (except administrators, teachers, aides and bus drivers).

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**Accrued Liabilities and Long-term Obligations.** All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond issuance costs as well as deferred gains or losses on refunding, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt. Bonds payable are reported net of the applicable bond premium or discount using the effective interest method.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**Fund Balance Reserves.** The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

**Net Assets.** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Encumbrances.** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Reclassification.** Certain items reported in the June 30, 2007, financial statements may have been reclassified to conform to the presentation for the current year.

**NOTE 2--LEGAL COMPLIANCE.**

**Budgets and Budgetary Accounting.** Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels.

In the body of the financial statements, the District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the District for these budgetary funds were adopted to the activity level.

During the year ended June 30, 2008, the District did not incur revenue, expenditure, or use of fund equity balances that exceeded 1% of amounts appropriated in budgetary funds. Minor immaterial violations are disclosed in budgetary comparison schedules in the required supplemental information.



Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3--DEPOSITS AND INVESTMENTS.**

As of June 30, 2008, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Liquid asset funds	\$ 5,797,661	0.00
Total Fair Value	<u>\$ 5,797,661</u>	
Portfolio weighted average maturity		<u>0.00</u>

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by: 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and 2) investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District did not have any investments which have this type of risk.

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the district's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$806,277 of the District's bank balance of \$942,160 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the district's name. Certificates of deposit are not included in the above totals.

**Custodial credit risk – investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The Board of Education authorized the following financial institutions for the investment of the District's funds for the year ended June 30, 2008: Bank of Alpena, Citizens Bank, Flagstar Bank, National City Bank, Independent Bank, Alpena Alcona Area Credit Union, First Federal of Northern Michigan and the Michigan Liquid Asset Fund.

**Foreign currency risk.** The District is not authorized to invest in investments that have this type of risk.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4--INTERFUND RECEIVABLE AND PAYABLE BALANCES.**

Individual fund interfund receivable and payable balances at June 30, 2008, are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,809,563
Special Revenue Fund	23,848	96,355
Debt Service Fund	18,960	-
Capital Projects Fund	779,513	-
Internal Service Fund	<u>1,083,597</u>	<u>-</u>
	<u>\$ 1,905,918</u>	<u>\$ 1,905,918</u>

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

**NOTE 5--CAPITAL ASSETS.**

Capital assets activity for the fiscal year ended June 30, 2008 was as follows:

	<u>Balances June 30, 07</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balances June 30, 08</u>
Capital assets not being depreciated:				
Land	\$ 3,402,222	\$ -	\$ -	\$ 3,402,222
Capital assets being depreciated:				
Buildings and improvements	41,326,283	437,427	(100,000)	41,663,710
Equipment	7,524,296	160,286	(127,125)	7,557,457
School buses	2,057,378	-	-	2,057,378
Fleet vehicles	<u>467,851</u>	<u>6,566</u>	<u>-</u>	<u>474,417</u>
Subtotal	54,778,030	604,279	(227,125)	55,155,184
Less: Accumulated depreciation				
Buildings and improvements	(14,643,147)	(887,760)	97,784	(15,433,123)
Equipment	(6,380,673)	(141,789)	124,567	(6,397,895)
School buses	(1,308,045)	(177,211)	-	(1,485,256)
Fleet vehicles	<u>(432,327)</u>	<u>(13,183)</u>	<u>-</u>	<u>(445,510)</u>
Total Accumulated depreciation	<u>(22,764,192)</u>	<u>(1,219,943)</u>	<u>222,351</u>	<u>(23,761,784)</u>
Governmental Activities -				
Capital Assets – Net	<u>\$ 32,013,838</u>	<u>\$ ( 615,664)</u>	<u>\$ ( 4,774)</u>	<u>\$ 31,393,400</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6--LONG-TERM DEBT.**

Changes in long-term debt of the School District are as follows:

	Balances, Jun 30, 2007	Additions	(Deductions)	Balances, Jun 30, 2008	Due within one year
General Obligation Loans and Bonds:					
US EPA Loan	\$ 4,425	\$ -	\$ (4,425)	\$ -	\$ -
Building and Site Bonds					
(Serial and Term)	20,510,000	8,266,290	(9,320,000)	19,456,290	1,085,000
School Improvement Bonds	213,724	-	-	213,724	29,021
Capital Lease Purchase	<u>33,163</u>	<u>108,713</u>	<u>(5,907)</u>	<u>135,969</u>	<u>23,499</u>
Total loans and bond obligations	<u>20,761,312</u>	<u>8,375,003</u>	<u>(9,330,332)</u>	<u>19,805,983</u>	<u>1,137,520</u>
Other long-term obligations:					
Accumulated vacation benefits	<u>167,436</u>	<u>160,468</u>	<u>(167,436)</u>	<u>160,468</u>	<u>160,468</u>
Total	<u>\$ 20,928,748</u>	<u>\$8,535,471</u>	<u>\$(9,497,768)</u>	<u>\$ 19,966,451</u>	<u>\$ 1,297,988</u>

The annual requirements to pay principal and interest on long-term debt outstanding at June 30, 2008 are as follows:

For the year Ended June 30	Principal	Interest	Annual Requirement
2009	\$ 1,297,988	\$ 858,851	\$ 2,156,839
2010	1,299,481	778,451	2,077,932
2011	1,299,211	713,848	2,013,059
2012	1,342,299	664,396	2,006,695
2013	1,385,660	611,365	1,997,025
2014-2018	7,278,250	2,227,798	9,506,048
2019-2022	<u>6,063,562</u>	<u>663,817</u>	<u>6,727,379</u>
	<u>\$19,966,451</u>	<u>\$ 6,518,526</u>	<u>\$ 26,484,977</u>

**1996 School Building and Site Bonds.** On June 10, 1996, the qualified electors of Alpena Public Schools, Counties of Alpena and Presque Isle, State of Michigan (the "School District") approved a proposal authorizing the School District to issue bonds in the sum of not to exceed \$26,995,000 for the purpose of erecting, furnishing and equipping a new elementary school, a new junior high school and additions to school buildings; remodeling, refurbishing and re-equipping school buildings; acquiring and installing computers and education technology systems; and acquiring, developing and improving sites. The bonds, dated August 14, 1996, are a full faith and credit unlimited tax general obligation of the School District and the principal and interest and any premium thereon will be payable from the proceeds of ad valorem taxes levied on all taxable property in the School District.

On October 15, 1998 and February 4, 1999, the Alpena Public Schools issued \$9,460,000 and \$9,400,000, respectively, in Refunding Bonds with an average interest rate of 4.674% to advance refund \$17,360,000 of outstanding 1996 School Building and Site Bonds with an average interest rate of 5.657%. The net proceeds of \$18,513,800 (after payment of \$346,200 in underwriting fees, insurance, and other issuance costs) plus an additional \$424,816 of 1996 School Building and Site Bond Debt Retirement Fund monies were used to purchase U.S. Government securities.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portion of the 1996 School Building and Site Bonds. As a result the 1996 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The Alpena Public Schools advance refunded the 1996 School Building and Site Bonds to reduce its total debt service payments for years 1999 through 2022 by \$996,785 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$647,073.

On February 19, 2008, the Alpena Public Schools issued \$8,130,000 in Refunding Bonds with an average interest rate of 3.39% to advance refund \$1,180,000 of outstanding 1996 School Building and Site Bonds with an average interest rate of 5.63 and to advance refund \$7,105,000 of outstanding 1998 Refunding Bonds from the above-noted October 15, 1998 Refunding issue with an average interest rate of 4.61%. The net proceeds of \$8,145,715 (after payment of \$120,572 in underwriting fees, insurance, and other issuance costs) plus an additional \$299,346 of Debt Retirement Fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance-refunded portions of the 1996 School Building and Site and 1998 Refunding Bonds. As a result, the \$1,180,000 and \$7,105,000 of the respective bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The Alpena Public Schools advance refunded the 1996 School Building and Site and 1998 Refunding Bonds to reduce its total debt service payments for years 2010 through 2022 by \$860,132 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$660,692.

**NOTE 7--FUND BALANCE RESERVATIONS AND DESIGNATIONS.**

Amounts of the various fund balances reserved or designated at June 30 are as follows:

<u>Fund</u>	<u>2008</u>	<u>2007</u>
General Fund		
Reserved for inventories	\$ <u>27,055</u>	\$ <u>17,098</u>
School Service Fund		
Reserved for inventories	<u>64,024</u>	<u>52,021</u>
Debt Service Fund		
Reserved for debt service	<u>204,019</u>	<u>249,656</u>
	<u>295,098</u>	<u>318,775</u>
General Fund		
Designated for capital outlay	75,000	300,000
Designated for capital improvements and maintenance	75,000	75,000
Designated for textbooks	246,000	246,000
Designated for programs	<u>42,256</u>	<u>48,001</u>
Total General Fund	<u>438,256</u>	<u>669,001</u>
School Service Fund		
Designated for programs	<u>2,145</u>	-
Capital Projects Fund		
Designated for maintenance	181,995	368,321
Designated for replacement of Junior High School roof	300,000	200,000
Designated for technology	<u>295,856</u>	<u>276,703</u>
Total Capital Projects Fund	<u>777,851</u>	<u>845,024</u>
	<u>1,218,252</u>	<u>1,514,025</u>
Total reservations and designations	\$ <u>1,513,350</u>	\$ <u>1,832,800</u>

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8--INTERFUND TRANSFERS.**

The General Fund transferred \$430,000 to the School Service Fund and \$784,855 to the Capital Projects Fund. These transfers were made to subsidize operations. The School Service Fund transferred \$35,000 back to the General Fund to reimburse for allowable indirect cost.

**NOTE 9--PROPERTY TAXES.**

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14 for City of Alpena residents (representing approximately 30% of collections), with the remainder levied December 1 and payable by February 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Alpena and Presque Isle Counties, the Counties purchase at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV). This differs from the State Equalized Value (SEV) by limiting annual increases to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2007-08 school year in the Alpena Public Schools was established at \$583,187,265 for principal residence, qualified agricultural and qualified forest property and \$450,212,222 for non-homestead property. A local operating millage of 18.0000 mills, approved by the voters of the district, and as adjusted by the provisions of the Headlee Amendment, is levied against non-homestead property. The District voters also approved an additional 2.98 mills for debt extinguishment. Mills of 1.9500 were levied for this purpose for the 2007-08 school year. Debt retirement mills are levied on the total taxable value of \$1,033,399,487.

**NOTE 10--SCHOOL FUNDING.**

Approval of Proposal "A" by Michigan voters in 1994 established a system of base foundation grants between \$4,508 and \$6,808 per pupil in each local school district in Michigan. Under the formula, the initial Base Foundation Allowance (BFA) of \$5,000 has been adjusted annually and provision made for partial "catch-up" for those districts whose allowance continued to fall below the BFA threshold. In 2000-01 a final catch-up payment was received by the School District resulting in a foundation allowance equal to the BFA.

For 2007-08 the BFA was \$7,204. This was an increase over the prior year of \$119 per pupil. Future adjustments to the base grant will be based on a revenue index, subject to the legislative process. Most categorical aid was rolled into the base foundation amount, except for special education, special education transportation, adult education, early childhood education and vocational education funding.

As part of Proposal "A", a two-cent increase in the state sales tax was approved along with several other smaller specific tax increases, while eliminating local school operating property taxes for principal residence, qualified agricultural, and qualified forest property owners. A 6-mill statewide education tax was imposed on all property, with an additional local property tax of 18 mills required on all non-exempt properties. The 6-mill education tax is not subject to further voter approval, but continuing authorization from local voters for the 18-mill local tax is required and is subject to the Headlee Amendment. Further authorization was granted to local school districts to secure voter approval for up to 3 enhancement mills for up to three years, beginning with the 1994-95 school year. After the 1996-97 school year, any enhancement mills must be approved on an intermediate school district-wide basis.

Alpena Public Schools

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 11--DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.**

**Plan Description.** The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple- employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7611.

**Funding Policy.** Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totaled 17.74 percent for the period from July 1, 2007 through September 30, 2007 and 16.72 percent for the period from October 1, 2007 through June 30, 2008 of the covered payroll to the plan. The School District's contributions to the MPERS plan for the years ended June 30, 2008, 2007 and 2006 were \$3,902,949, \$3,985,535, and \$3,925,844 respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. Effective July 1, 2008, new members will contribute up to 6.4% of gross wages. For the years ended June 30, 2008, 2007, and 2006, Alpena Public School employees contributed \$778,131, \$769,715, and \$816,670 respectively.

**Postemployment Benefits.** Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverage's contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above. The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

In addition to the pension benefits described above, the School District provides post-employment health care benefits (reimbursement of premium co-payment) not covered by the Michigan Public School Employee's Retirement System (MPERS) for administrative personnel (who are otherwise eligible under the MPERS) until they reach Medicare age. These former employees receive post-employment health care coverage through the MPERS. Currently, 15 employees meet the eligibility requirements as defined under the contractual agreement for reimbursement of premium co-payments. Expenditures for post-retirement health care benefits are recognized as retirees' premiums for health care are received and presented for payment. For the years ended June 30, 2008, 2007 and 2006 expenditures of \$23,391, \$20,198, and \$17,523, respectively, were recognized for post-retirement health care.

**NOTE 12--CONTINGENCIES, CLAIMS AND LITIGATION.**

There are various legal actions pending or threatened against the School District. Due to the inconclusive nature of these actions, it is not possible to determine in the aggregate the total ultimate liability, if any. It is the policy of the District to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated.

The School District may have outstanding certain bonds the payment of the principal of and interest on which when due is insured by various monoline insurers. It has been reported that the insurance financial strength ratings of various municipal bond insurers for the School District have been downgraded by Fitch Ratings, Moody's Investors Service, Inc. and Standard and Poor's Rating Services. The most current ratings assigned to the insurers should be obtained directly from the ratings agencies. It should be noted that the School District has not received an official notice from the rating agencies of any downgrade with respect to its outstanding bonds insured by these insurers.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Alpena Public Schools

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2008

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Local sources	\$ 9,453,076	\$ 9,850,134	\$ 10,054,275	\$ 204,141
State sources	26,725,559	27,037,271	27,036,876	(395)
Federal sources	2,164,780	2,544,245	2,359,486	(184,759)
Total revenues	38,343,415	39,431,650	39,450,637	18,987
<b>EXPENDITURES</b>				
Current:				
Instruction	24,134,483	24,433,725	24,097,884	335,841
Supporting services	14,127,881	14,473,983	14,067,731	406,252
Community services	12,458	108,887	97,998	10,889
Payments to other governments	155,437	149,566	153,250	(3,684)
Facilities acquisition	-	16,275	6,813	9,462
Debt service	18,432	14,007	14,007	-
Total expenditures	38,448,691	39,196,443	38,437,683	758,760
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(105,276)	235,207	1,012,954	777,747
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	32,660	35,000	35,000	-
Transfers to other funds	(1,214,855)	(1,214,855)	(1,214,855)	-
	(1,182,195)	(1,179,855)	(1,179,855)	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(1,287,471)	(944,648)	(166,901)	777,747
<b>FUND BALANCES</b> , beginning of the year	5,314,513	5,837,189	5,837,189	-
<b>FUND BALANCES</b> , end of the year	\$ 4,027,042	\$ 4,892,541	\$ 5,670,288	\$ 777,747



Alpena Public Schools

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SCHOOL SERVICE - ATHLETICS FUND**

Year ended June 30, 2008

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Local sources	\$ 118,000	\$ 136,757	\$ 147,243	\$ 10,486
Total revenues	118,000	136,757	147,243	10,486
<b>EXPENDITURES</b>				
Current:				
Operating buildings services	700	700	600	100
Pupil transportation services	106,557	117,067	117,153	(86)
Athletic activities	440,743	458,990	446,737	12,253
Total expenditures	548,000	576,757	564,490	12,267
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(430,000)	(440,000)	(417,247)	22,753
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	430,000	430,000	430,000	-
Transfers to other funds	-	-	-	-
	430,000	430,000	430,000	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	-	(10,000)	12,753	22,753
<b>FUND BALANCES</b> , beginning of the year	28,462	28,462	28,461	-
<b>FUND BALANCES</b> , end of the year	\$ 28,462	\$ 18,462	\$ 41,214	\$ 22,753

Alpena Public Schools

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SCHOOL SERVICE - FOOD SERVICE FUND**

Year ended June 30, 2008

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
<b>REVENUES</b>				
Local sources	\$ 914,000	\$ 935,900	\$ 934,445	\$ (1,455)
State sources	150,000	138,000	126,290	(11,710)
Federal sources	925,000	957,000	994,009	37,009
Total revenues	1,989,000	2,030,900	2,054,744	23,844
<b>EXPENDITURES</b>				
Current:				
Pupil transportation services	-	1,500	1,358	142
Food services	2,000,500	2,042,000	2,019,874	22,126
Total expenditures	2,000,500	2,043,500	2,021,232	22,268
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(11,500)	(12,600)	33,512	46,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	(35,000)	(35,000)	(35,000)	-
	(35,000)	(35,000)	(35,000)	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(46,500)	(47,600)	(1,488)	46,112
<b>FUND BALANCES</b> , beginning of the year	125,394	197,801	197,801	-
<b>FUND BALANCES</b> , end of the year	\$ 78,894	\$ 150,201	\$ 196,313	\$ 46,112

## **INDIVIDUAL FUND STATEMENTS**

Alpena Public Schools

**GENERAL FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 161,291	\$ 2,292,218
Investments	5,622,988	3,206,323
Receivables		
Taxes	63,996	73,749
Accounts	73,846	23,499
Interest	16,818	7,836
Due from other governmental units	5,134,385	4,809,499
Inventories	27,055	17,098
Prepaid expenses	31,555	411,851
Other assets	349,768	290,159
Total assets	<u>\$ 11,481,702</u>	<u>\$ 11,132,232</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 148,056	\$ 112,087
Accrued interest payable	2,803	-
Notes payable	228,571	-
Employee benefits payable	776,124	1,129,467
Salaries payable	2,782,401	2,836,435
Due to other governmental units	43	187
Due to other funds	1,809,563	1,061,162
Deferred revenue	63,853	155,705
Total liabilities	<u>5,811,414</u>	<u>5,295,043</u>
Fund balances		
Reserved for inventories	27,055	17,098
Unreserved		
Designated	438,256	669,001
Undesignated	5,204,977	5,151,090
Total fund equity	<u>5,670,288</u>	<u>5,837,189</u>
Total liabilities and equity	<u>\$ 11,481,702</u>	<u>\$ 11,132,232</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>REVENUES</b>				
<b>LOCAL SOURCES</b>				
Property Taxes	\$ 8,116,831	\$ 8,205,512	\$ 8,185,704	\$ 7,886,772
Penalties and Interest on Taxes	12,000	12,000	14,915	12,561
Other Taxes	4,500	4,500	3,039	3,753
Tuition and Fees	56,575	59,456	66,951	63,479
Tuition and Fees - Summer School	118,125	100,395	105,454	113,140
Tuition and Fees - Preschool	104,000	50,000	53,046	40,628
Interest on Investments	150,000	200,000	218,919	221,297
Sales to Users	50,000	52,450	63,331	62,729
Medicaid Fee for Service	60,000	60,000	80,662	101,075
Rents	80,620	126,984	124,879	75,722
Contributions	15,000	74,103	64,253	169,167
Beverage Consortium Exclusivity Fees	12,500	24,434	24,434	7,432
Insurance Proceeds	-	6,403	21,716	7,972
Special Education	579,000	699,000	840,219	722,677
Tuition and Fees from Other Districts	67,750	54,941	49,590	79,422
Sale of School Property	2,500	75,840	72,310	53,496
Other	23,675	44,116	64,853	43,537
	<u>9,453,076</u>	<u>9,850,134</u>	<u>10,054,275</u>	<u>9,664,859</u>
<b>STATE SOURCES</b>				
State School Aid - Unrestricted	24,396,717	24,572,960	24,576,647	24,971,801
State School Aid - Restricted	<u>2,328,842</u>	<u>2,464,311</u>	<u>2,460,229</u>	<u>2,409,078</u>
	<u>26,725,559</u>	<u>27,037,271</u>	<u>27,036,876</u>	<u>27,380,879</u>
<b>FEDERAL SOURCES</b>				
Title I	985,725	1,292,778	1,153,532	925,331
Workforce Investment Act	432,166	437,604	425,345	474,602
Title II	340,000	385,427	369,983	313,507
Vocational Education	308,792	308,792	296,154	299,686
Adult Education Literacy	50,000	47,300	47,300	47,300
Safe and Drug Free Schools	24,347	25,959	25,179	24,538
Title V	5,000	4,975	3,822	1,331
Other	18,750	41,410	38,171	34,956
	<u>2,164,780</u>	<u>2,544,245</u>	<u>2,359,486</u>	<u>2,121,251</u>
Total revenues	<u>38,343,415</u>	<u>39,431,650</u>	<u>39,450,637</u>	<u>39,166,989</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>EXPENDITURES</b>				
<b>INSTRUCTION, BASIC PROGRAMS</b>				
Elementary (K-6)				
Salaries	\$ 6,209,699	\$ 6,173,538	\$ 6,169,418	\$ 6,437,697
Employee benefits	3,052,032	3,121,398	3,035,702	3,247,217
Purchased services	18,000	17,907	15,113	9,994
Supplies and materials	235,531	223,034	200,854	203,112
Capital outlay	6,667	20,658	-	-
Other	-	3,520	3,520	-
	<u>9,521,929</u>	<u>9,560,055</u>	<u>9,424,607</u>	<u>9,898,020</u>
Junior High (7-8)				
Salaries	1,866,543	1,845,489	1,835,838	1,910,154
Employee benefits	937,719	924,293	923,923	1,056,349
Purchased services	5,000	8,714	8,432	4,078
Supplies and materials	66,660	85,694	79,465	51,658
Capital outlay	6,667	-	-	538
Other	1,360	1,695	1,695	1,320
	<u>2,883,949</u>	<u>2,865,885</u>	<u>2,849,353</u>	<u>3,024,097</u>
High School (9-12)				
Salaries	3,836,153	3,939,215	3,905,772	4,003,579
Employee benefits	1,873,564	1,892,443	1,881,639	1,879,694
Purchased services	141,610	133,780	133,852	131,128
Supplies and materials	141,425	210,203	184,936	157,794
Capital outlay	1,000	24,671	24,488	34,889
Other	4,300	5,180	3,963	4,835
	<u>5,998,052</u>	<u>6,205,492</u>	<u>6,134,650</u>	<u>6,211,919</u>
Preschool				
Salaries	158,981	168,115	170,530	165,172
Employee benefits	65,268	96,772	99,196	64,320
Purchased services	87,500	60,500	60,108	45,170
Supplies and materials	20,404	11,893	10,867	13,588
Capital outlay	-	-	-	7,400
Other	600	600	832	691
	<u>332,753</u>	<u>337,880</u>	<u>341,533</u>	<u>296,341</u>
Summer School				
Salaries	122,239	150,731	137,766	98,145
Employee benefits	23,797	34,310	28,900	22,370
Purchased services	500	183	139	113
Supplies and materials	16,311	18,138	12,438	12,444
	<u>162,847</u>	<u>203,362</u>	<u>179,243</u>	<u>133,072</u>
Total instruction, basic programs	<u>18,899,530</u>	<u>19,172,674</u>	<u>18,929,386</u>	<u>19,563,449</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>INSTRUCTION, ADDED NEEDS</b>				
Special Education				
Salaries	\$ 2,222,737	\$ 2,256,433	\$ 2,249,777	\$ 2,275,533
Employee benefits	963,542	1,001,281	1,014,641	969,264
Purchased services	3,500	3,030	2,501	2,808
Supplies and materials	14,360	16,013	15,233	13,924
	<u>3,204,139</u>	<u>3,276,757</u>	<u>3,282,152</u>	<u>3,261,529</u>
Compensatory education				
Salaries	367,372	480,748	413,840	344,785
Employee benefits	160,690	200,202	187,573	148,249
Purchased services	54,998	33,375	33,000	21,016
Supplies and materials	-	31,045	21,455	15,324
Capital Outlay	-	16,065	16,085	-
	<u>583,060</u>	<u>761,435</u>	<u>671,953</u>	<u>529,374</u>
Career and technical education				
Salaries	801,867	625,486	618,709	777,714
Employee benefits	421,326	353,898	361,632	426,398
Purchased services	48,200	37,528	32,522	52,143
Supplies and materials	103,149	109,221	108,684	113,115
Capital outlay	5,000	28,664	20,458	36,020
Other	-	2,403	1,050	300
	<u>1,379,542</u>	<u>1,157,200</u>	<u>1,143,055</u>	<u>1,405,690</u>
Total instruction, added needs	<u>5,166,741</u>	<u>5,195,392</u>	<u>5,097,160</u>	<u>5,196,593</u>
<b>ADULT EDUCATION</b>				
Adult education				
Salaries	43,347	40,136	43,069	41,878
Employee benefits	22,365	22,623	25,084	20,375
Purchased services	-	400	609	-
Supplies and materials	2,500	2,500	2,576	1,445
	<u>68,212</u>	<u>65,659</u>	<u>71,338</u>	<u>63,698</u>
Total adult education	<u>68,212</u>	<u>65,659</u>	<u>71,338</u>	<u>63,698</u>
Total instruction	<u>24,134,483</u>	<u>24,433,725</u>	<u>24,097,884</u>	<u>24,823,740</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>SUPPORTING SERVICES</b>				
<b>PUPIL SERVICES</b>				
Truancy/absenteeism services				
Salaries	\$ 56,306	\$ 56,973	\$ 55,250	\$ 46,960
Employee benefits	41,094	40,853	38,278	30,307
Purchased services	378,634	366,434	364,733	406,996
Supplies and materials	2,000	2,414	1,004	1,546
	<u>478,034</u>	<u>466,674</u>	<u>459,265</u>	<u>485,809</u>
Guidance services				
Salaries	638,816	628,134	616,919	605,066
Employee benefits	277,447	283,766	268,535	313,361
Purchased services	15,100	11,069	11,085	11,877
Supplies and materials	2,000	2,000	1,803	3,000
Other	-	600	598	-
	<u>933,363</u>	<u>925,569</u>	<u>898,940</u>	<u>933,304</u>
Health services				
Salaries	51,673	54,173	52,974	51,767
Employee benefits	27,522	31,199	31,099	26,384
Purchased services	1,200	1,200	1,539	1,901
Supplies and materials	6,750	10,656	10,596	5,624
	<u>87,145</u>	<u>97,228</u>	<u>96,208</u>	<u>85,676</u>
Social work services				
Salaries	63,590	62,888	62,888	59,165
Employee benefits	22,755	22,384	22,350	20,450
	<u>86,345</u>	<u>85,272</u>	<u>85,238</u>	<u>79,615</u>
Other pupil support services				
Salaries	338,899	336,172	333,395	324,492
Employee benefits	118,079	116,417	117,849	118,084
Purchased services	97,000	84,750	77,763	113,478
Supplies and materials	9,000	8,680	7,462	5,951
Other	500	500	-	-
	<u>563,478</u>	<u>546,519</u>	<u>536,469</u>	<u>562,005</u>
Total pupil services	<u>2,148,365</u>	<u>2,121,262</u>	<u>2,076,120</u>	<u>2,146,409</u>



Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>INSTRUCTIONAL STAFF SERVICES</b>				
Improvement of education				
Salaries	\$ 14,593	\$ 30,953	\$ 23,025	\$ 31,204
Employee benefits	3,651	7,921	4,993	7,865
Purchased services	39,200	58,695	29,638	33,230
Supplies and materials	10,545	19,487	12,394	14,650
Other	3,475	6,455	5,485	25,978
	<u>71,464</u>	<u>123,511</u>	<u>75,535</u>	<u>112,927</u>
Educational media services				
Salaries	247,906	253,958	244,213	247,412
Employee benefits	119,475	122,879	132,442	126,096
Purchased services	1,000	5,678	5,678	-
Supplies and materials	-	20,263	14,650	82,312
Capital outlay	-	-	-	5,809
Other	6,400	6,010	5,610	-
	<u>374,781</u>	<u>408,788</u>	<u>402,593</u>	<u>461,629</u>
Supervision of educational staff				
Salaries	358,815	434,170	430,589	386,341
Employee benefits	176,682	204,561	202,297	200,162
Purchased services	4,900	8,898	9,733	8,755
Supplies and materials	2,472	3,057	2,737	3,718
Other	1,800	1,000	783	1,478
	<u>544,669</u>	<u>651,686</u>	<u>646,139</u>	<u>600,454</u>
Academic Student Assessment				
Salaries	-	-	-	1,727
Employee benefits	-	-	-	442
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,169</u>
Total instructional staff services	<u>990,914</u>	<u>1,183,985</u>	<u>1,124,267</u>	<u>1,177,179</u>
<b>GENERAL ADMINISTRATION</b>				
Board of education				
Purchased services	33,000	37,843	35,228	37,725
Supplies and materials	-	4,765	5,963	3,542
	<u>33,000</u>	<u>42,608</u>	<u>41,191</u>	<u>41,267</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>GENERAL ADMINISTRATION (continued)</b>				
Executive administration				
Salaries	\$ 184,622	\$ 184,622	\$ 185,060	\$ 176,905
Employee benefits	89,484	83,034	82,295	82,257
Purchased services	7,500	7,500	4,911	4,119
Supplies and materials	1,000	2,075	1,987	1,836
	<u>282,606</u>	<u>277,231</u>	<u>274,253</u>	<u>265,117</u>
Total general administration	<u>315,606</u>	<u>319,839</u>	<u>315,444</u>	<u>306,384</u>
<b>SCHOOL ADMINISTRATION</b>				
Office of the principal				
Salaries	1,835,287	1,803,713	1,797,005	1,956,770
Employee benefits	1,087,688	960,058	940,897	960,556
Purchased services	17,600	18,600	16,817	11,564
Supplies and materials	20,500	20,732	15,765	4,899
Capital outlay	-	-	-	20,340
	<u>2,961,075</u>	<u>2,803,103</u>	<u>2,770,484</u>	<u>2,954,129</u>
Other school administration				
Other	<u>6,500</u>	<u>6,500</u>	<u>7,504</u>	<u>7,520</u>
Total school administration	<u>2,967,575</u>	<u>2,809,603</u>	<u>2,777,988</u>	<u>2,961,649</u>
<b>BUSINESS SERVICES</b>				
Fiscal services				
Salaries	248,753	257,806	257,782	247,800
Employee benefits	154,889	148,117	142,216	134,720
Purchased services	3,500	3,500	2,402	2,621
Supplies and materials	7,500	8,500	7,897	5,966
	<u>414,642</u>	<u>417,923</u>	<u>410,297</u>	<u>391,107</u>
Internal services				
Salaries	65,119	75,354	76,141	63,572
Employee benefits	45,127	55,063	46,266	37,529
Purchased services	12,500	12,600	8,377	11,697
Supplies and materials	3,000	3,000	2,001	3,738
	<u>125,746</u>	<u>146,017</u>	<u>132,785</u>	<u>116,536</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>BUSINESS SERVICES (continued)</b>				
Other business services				
Purchased services	\$ -	\$ 1,000	\$ 903	\$ 1,552
Short term interest	30,000	58,880	53,272	-
Taxes abated	50,000	152,000	190,901	80,135
Other	13,000	17,425	17,084	13,683
	<u>93,000</u>	<u>229,305</u>	<u>262,160</u>	<u>95,370</u>
Total business services	<u>633,388</u>	<u>793,245</u>	<u>805,242</u>	<u>603,013</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Operating buildings services				
Salaries	1,395,503	1,406,502	1,369,419	1,353,361
Employee benefits	982,615	947,013	933,357	840,235
Purchased services	588,150	665,818	617,047	613,051
Supplies and materials	1,207,800	1,191,862	1,165,101	1,023,808
Capital outlay	26,666	43,980	7,980	-
	<u>4,200,734</u>	<u>4,255,175</u>	<u>4,092,904</u>	<u>3,830,455</u>
Security services				
Supplies and materials	<u>200</u>	<u>200</u>	<u>71</u>	<u>65</u>
Total operations and maintenance	<u>4,200,934</u>	<u>4,255,375</u>	<u>4,092,975</u>	<u>3,830,520</u>
<b>PUPIL TRANSPORTATION</b>				
Salaries	947,593	931,443	887,890	886,774
Employee benefits	574,631	585,778	563,981	549,029
Purchased services	87,813	102,261	95,056	87,463
Supplies and materials	284,900	316,731	324,166	238,204
Capital outlay	-	1,092	-	-
	<u>1,894,937</u>	<u>1,937,305</u>	<u>1,871,093</u>	<u>1,761,470</u>
Total pupil transportation	<u>1,894,937</u>	<u>1,937,305</u>	<u>1,871,093</u>	<u>1,761,470</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>CENTRAL SERVICES</b>				
Planning, research and development				
Salaries	\$ -	\$ 3,500	\$ 3,500	\$ 3,245
Employee benefits	-	860	861	255
Purchased Services	-	1,640	-	-
	<u>-</u>	<u>6,000</u>	<u>4,361</u>	<u>3,500</u>
Communication services				
Salaries	41,012	41,012	40,962	40,639
Employee benefits	29,669	30,054	28,257	24,990
Purchased services	21,000	23,500	20,425	18,287
Supplies and materials	-	-	-	316
	<u>91,681</u>	<u>94,566</u>	<u>89,644</u>	<u>84,232</u>
Staff services				
Salaries	122,426	92,426	91,087	181,260
Employee benefits	89,513	69,856	59,292	97,072
Purchased services	30,500	48,345	37,524	8,995
Supplies and materials	1,400	2,750	2,122	1,305
Other	69,000	60,610	57,822	46,867
	<u>312,839</u>	<u>273,987</u>	<u>247,847</u>	<u>335,499</u>
Support services technology				
Salaries	236,668	319,168	314,620	233,109
Employee benefits	126,474	154,847	155,529	110,456
Purchased services	142,000	159,787	153,245	125,050
Supplies and materials	59,000	25,249	20,870	29,835
Capital outlay	5,000	9,815	9,567	10,925
Other	-	7,450	7,490	7,100
	<u>569,142</u>	<u>676,316</u>	<u>661,321</u>	<u>516,475</u>
Pupil Accounting				
Supplies and materials	2,500	2,500	1,429	1,658
	<u>2,500</u>	<u>2,500</u>	<u>1,429</u>	<u>1,658</u>
Total central services	<u>976,162</u>	<u>1,053,369</u>	<u>1,004,602</u>	<u>941,364</u>
Total supporting services	<u>14,127,881</u>	<u>14,473,983</u>	<u>14,067,731</u>	<u>13,727,988</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>COMMUNITY SERVICES</b>				
Community services direction				
Purchased services	\$ 160	\$ 160	\$ 92	\$ 145
Community activities				
Purchased services	275	79,070	78,885	293
Supplies and materials	9,945	6,535	4,590	11,877
	<u>10,220</u>	<u>85,605</u>	<u>83,475</u>	<u>12,170</u>
Non-public school pupils				
Salaries	-	9,778	8,212	-
Employee benefits	-	2,740	2,471	-
Purchased services	2,078	6,597	1,330	3,748
Supplies and materials	-	4,007	1,963	3,363
Other	-	-	455	-
	<u>2,078</u>	<u>23,122</u>	<u>14,431</u>	<u>7,111</u>
Total community services	<u>12,458</u>	<u>108,887</u>	<u>97,998</u>	<u>19,426</u>
<b>PAYMENTS TO OTHER GOVERNMENTS</b>				
Payments to Other Public Schools				
Other	<u>155,437</u>	<u>149,566</u>	<u>153,250</u>	<u>189,403</u>
<b>FACILITIES ACQUISITION</b>				
Site acquisition services				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Site improvements services				
Purchased services	-	16,275	6,813	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,867</u>
	<u>-</u>	<u>16,275</u>	<u>6,813</u>	<u>19,867</u>
Total facilities acquisition	<u>-</u>	<u>16,275</u>	<u>6,813</u>	<u>64,867</u>

Alpena Public Schools

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>DEBT SERVICE</b>				
Principal	\$ 14,757	\$ 10,332	\$ 10,332	\$ 18,143
Interest	<u>3,675</u>	<u>3,675</u>	<u>3,675</u>	<u>2,296</u>
Total debt service	<u>18,432</u>	<u>14,007</u>	<u>14,007</u>	<u>20,439</u>
 Total expenditures	 <u>38,448,691</u>	 <u>39,196,443</u>	 <u>38,437,683</u>	 <u>38,845,863</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	32,660	35,000	35,000	35,000
Transfers to other funds	<u>(1,214,855)</u>	<u>(1,214,855)</u>	<u>(1,214,855)</u>	<u>(1,241,597)</u>
	<u>(1,182,195)</u>	<u>(1,179,855)</u>	<u>(1,179,855)</u>	<u>(1,206,597)</u>
 <b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	 (1,287,471)	 (944,648)	 (166,901)	 (885,471)
 <b>FUND BALANCES, beginning of the year</b>	 <u>5,314,513</u>	 <u>5,837,189</u>	 <u>5,837,189</u>	 <u>6,722,660</u>
 <b>FUND BALANCES, end of the year</b>	 <u><u>\$ 4,027,042</u></u>	 <u><u>\$ 4,892,541</u></u>	 <u><u>\$ 5,670,288</u></u>	 <u><u>\$ 5,837,189</u></u>

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Alpena Public Schools

**SCHOOL SERVICE - ATHLETICS FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 40	\$ -
Receivables		
Accounts	27,512	3,160
Due from other funds	23,848	21,088
Prepaid expenditures	-	6,450
Total assets	<u>\$ 51,400</u>	<u>\$ 30,698</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 9,611	\$ 1,887
Deferred revenue	575	350
Total liabilities	<u>10,186</u>	<u>2,237</u>
Fund balances		
Unreserved		
Designated	2,145	-
Undesignated	39,069	28,461
Total fund equity	<u>41,214</u>	<u>28,461</u>
Total liabilities and equity	<u>\$ 51,400</u>	<u>\$ 30,698</u>



Alpena Public Schools

**SCHOOL SERVICE - ATHLETICS FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008 Actual	2007 Actual
	Original	Final		
<b>REVENUES</b>				
Local sources				
Admissions	\$ 95,000	\$ 102,000	\$ 105,479	\$ 86,875
Dues and fees	23,000	22,075	26,937	23,523
Private sources (contributions)	-	12,682	14,827	14,817
Miscellaneous local revenues	-	-	-	100
Total revenues	118,000	136,757	147,243	125,315
<b>EXPENDITURES</b>				
<b>SUPPORTING SERVICES</b>				
Operating buildings services				
Purchased services	700	700	600	700
Pupil transportation services				
Salaries	13,000	11,350	9,397	11,106
Employee benefits	3,557	3,217	2,588	3,115
Purchased services	90,000	102,500	105,168	100,185
	106,557	117,067	117,153	114,406
Athletic activities				
Salaries	255,492	246,863	246,429	243,897
Employee benefits	63,157	61,212	59,594	60,916
Purchased services	94,300	119,200	114,264	98,510
Supplies and materials	14,800	15,596	12,538	19,750
Other	12,994	16,119	13,912	12,011
	440,743	458,990	446,737	435,084
Total expenditures	548,000	576,757	564,490	550,190
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	430,000	430,000	430,000	432,742
Transfers to other funds	-	-	-	-
	430,000	430,000	430,000	432,742
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	-	(10,000)	12,753	7,867
<b>FUND BALANCES, beginning of the year</b>	28,462	28,462	28,461	20,594
<b>FUND BALANCES, end of the year</b>	\$ 28,462	\$ 18,462	\$ 41,214	\$ 28,461

Alpena Public Schools

**SCHOOL SERVICE - FOOD SERVICE FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 77,048	\$ 60,195
Receivables		
Accounts	12,352	10,353
Due from other governmental units	140,191	894
Due from other funds	-	76,435
Inventories	64,024	52,021
Total assets	<u>\$ 293,615</u>	<u>\$ 199,898</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 947	\$ 2,097
Due to other funds	96,355	-
Total liabilities	<u>97,302</u>	<u>2,097</u>
Fund balances		
Reserved for inventories	64,024	52,021
Unreserved		
Undesignated	132,289	145,780
Total fund equity	<u>196,313</u>	<u>197,801</u>
Total liabilities and equity	<u>\$ 293,615</u>	<u>\$ 199,898</u>

Alpena Public Schools

**SCHOOL SERVICE - FOOD SERVICE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30			
	2008 Budget		2008	2007
	Original	Final	Actual	Actual
<b>REVENUES</b>				
Local sources				
Earning on investments and deposits	\$ 1,000	\$ 1,100	\$ 1,111	\$ 1,005
Food sales	907,000	930,800	929,678	936,586
Miscellaneous local revenues	6,000	4,000	3,656	5,847
State sources	150,000	138,000	126,290	140,402
Federal sources				
USDA donated commodities	98,000	100,000	102,157	98,955
USDA bonus commodities	-	-	1,126	1,523
National school lunch / breakfast	827,000	857,000	890,726	813,161
Fresh fruit and vegetable program	-	-	-	18,769
Total revenues	<u>1,989,000</u>	<u>2,030,900</u>	<u>2,054,744</u>	<u>2,016,248</u>
<b>EXPENDITURES</b>				
<b>SUPPORTING SERVICES</b>				
Pupil transportation services				
Supplies and materials	<u>-</u>	<u>1,500</u>	<u>1,358</u>	<u>1,278</u>
Food services				
Salaries	525,000	530,000	545,780	529,296
Employee benefits	440,000	455,200	439,888	415,661
Purchased services	14,500	13,700	9,541	8,655
Supplies and materials	1,013,000	1,038,000	1,020,384	955,750
Capital outlay	4,000	1,100	215	2,658
Other	4,000	4,000	4,066	4,158
	<u>2,000,500</u>	<u>2,042,000</u>	<u>2,019,874</u>	<u>1,916,178</u>
Total expenditures	<u>2,000,500</u>	<u>2,043,500</u>	<u>2,021,232</u>	<u>1,917,456</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	-	-
Transfers to other funds	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>
	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(46,500)	(47,600)	(1,488)	63,792
<b>FUND BALANCES, beginning of the year</b>	<u>125,394</u>	<u>197,801</u>	<u>197,801</u>	<u>134,009</u>
<b>FUND BALANCES, end of the year</b>	<u>\$ 78,894</u>	<u>\$ 150,201</u>	<u>\$ 196,313</u>	<u>\$ 197,801</u>

Alpena Public Schools

**DEBT SERVICE FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 174,794	\$ 237,013
Receivables		
Taxes	7,176	4,864
Interest	-	5,022
Due from other governmental units	3,089	2,757
Due from other funds	18,960	-
Total assets	<u>\$ 204,019</u>	<u>\$ 249,656</u>
<b>LIABILITIES AND EQUITIES</b>		
Fund balance		
Reserved for debt service	<u>\$ 204,019</u>	<u>\$ 249,656</u>
Total liabilities and equity	<u>\$ 204,019</u>	<u>\$ 249,656</u>

Alpena Public Schools

**DEBT SERVICE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30	
	2008	2007
<b>REVENUES</b>		
Local sources		
Property taxes	\$ 2,039,797	\$ 1,997,576
Earning on investments and deposits	26,507	37,058
Total revenue	2,066,304	2,034,634
<b>EXPENDITURES</b>		
Debt service		
Principal	1,035,000	975,000
Bond issuance costs	116,918	-
Interest and fees	1,063,922	1,023,492
Taxes abated	13,019	4,734
Total expenditures	2,228,859	2,003,226
<b>OTHER FINANCING SOURCES (USES)</b>		
Refunded bonds issued	8,130,000	-
Bond premium	136,290	-
Payment to refunded bond escrow agent	(8,149,372)	-
	116,918	-
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(45,637)	31,408
<b>FUND BALANCES, beginning of the year</b>	249,656	218,248
<b>FUND BALANCES, end of the year</b>	\$ 204,019	\$ 249,656

Alpena Public Schools

**CAPITAL PROJECTS FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Accounts receivable	\$ 6,545	\$ -
Due from other funds	779,513	901,929
Total assets	<u>\$ 786,058</u>	<u>\$ 901,929</u>
<b>LIABILITIES AND EQUITIES</b>		
Accounts payable	\$ 8,207	\$ 56,905
Total liabilities	<u>8,207</u>	<u>56,905</u>
Fund balances		
Unreserved		
Designated	777,851	845,024
Undesignated	-	-
Total fund equity	<u>777,851</u>	<u>845,024</u>
Total liabilities and equity	<u>\$ 786,058</u>	<u>\$ 901,929</u>

Alpena Public Schools

**CAPITAL PROJECTS FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30	
	2008	2007
<b>REVENUES</b>		
Local sources		
Miscellaneous	\$ -	\$ 7,000
<b>EXPENDITURES</b>		
<b>SUPPORTING SERVICES</b>		
Operating buildings services		
Salaries	61,148	21,068
Employee benefits	17,354	5,823
Purchased services	20,723	4,920
Supplies and materials	41,266	25,244
Capital outlay	62,452	7,449
	<u>202,943</u>	<u>51,689</u>
Pupil transportation		
Capital outlay	4,821	-
Support services technology		
Purchased services	42,532	48,368
Supplies and materials	9,113	10,325
Capital outlay	129,202	68,410
Other	-	2,035
	<u>180,847</u>	<u>129,138</u>
<b>FACILITIES ACQUISITION</b>		
Site improvements services		
Capital outlay	32,104	78,520
Building improvements services		
Capital outlay	431,313	139,001
Total expenditures	<u>852,028</u>	<u>613,535</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers from other funds	784,855	808,855
Transfers to other funds	-	-
	<u>784,855</u>	<u>909,855</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(67,173)	404,692
<b>FUND BALANCES, beginning of the year</b>	<u>845,024</u>	<u>440,332</u>
<b>FUND BALANCES, end of the year</b>	<u><u>\$ 777,851</u></u>	<u><u>\$ 845,024</u></u>

Alpena Public Schools

**INTERNAL SERVICE FUND**

**BALANCE SHEET**

	June 30	
	2008	2007
<b>ASSETS</b>		
Accounts receivable	\$ 114,864	\$ -
Deposits held	124,132	-
Due from other funds	<u>1,083,597</u>	<u>61,710</u>
Total assets	<u><u>\$ 1,322,593</u></u>	<u><u>\$ 61,710</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 63,028	\$ 38,672
Employee benefits payable	<u>920,572</u>	<u>18,275</u>
Total liabilities	<u>983,600</u>	<u>56,947</u>
Net assets		
Unreserved, Undesignated	<u>338,993</u>	<u>4,763</u>
Total liabilities and equity	<u><u>\$ 1,322,593</u></u>	<u><u>\$ 61,710</u></u>



Alpena Public Schools

**INTERNAL SERVICE FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	Year Ended June 30	
	2008	2007
<b>OPERATING REVENUES</b>		
Local sources		
Charges to other funds - insurance	\$ 2,223,062	\$ 215,421
Miscellaneous	24,861	1,252
Total revenues	2,247,923	216,673
<b>OPERATING EXPENSES</b>		
Staff services		
Employee benefits	1,112,319	12,620
Purchased services	110,492	15,696
Supplies and materials	690,882	183,594
	1,913,693	211,910
Total expenses	1,913,693	211,910
<b>CHANGES IN NET ASSETS</b>	334,230	4,763
<b>NET ASSETS</b> , beginning of the year	4,763	-
<b>NET ASSETS</b> , end of the year	\$ 338,993	\$ 4,763

Alpena Public Schools

**INTERNAL SERVICE FUND**  
**STATEMENT OF CASH FLOWS**

	Year Ended June 30	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Charges to other funds - insurance	\$ 1,086,619	\$ 153,711
Miscellaneous	24,861	1,252
Cash paid to service providers	(1,111,480)	(154,963)
Cash flows provided by operating activities	-	-
<b>CASH AND CASH EQUIVALENTS</b> , beginning of the year	-	-
<b>CASH AND CASH EQUIVALENTS</b> , end of the year	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash from Operating activities:</b>		
Operating Income	<u>\$ 334,230</u>	<u>\$ 4,673</u>
Adjustments:		
Increase in accounts receivable	114,864	-
Increase in deposits held	124,132	-
Increase in due from other funds	1,021,887	61,710
Increase in accrued expenses	(902,297)	(18,275)
Increase in accounts payable	(24,356)	(38,762)
	<u>334,230</u>	<u>4,673</u>
<b>Net cash provided by operating activities</b>	<u>\$ -</u>	<u>\$ -</u>

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Alpena Public Schools

**FIDUCIARY FUND TYPES**

**BALANCE SHEET**

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	June 30	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 325,019	\$ 331,894
Total assets	<u>\$ 325,019</u>	<u>\$ 331,894</u>
<b>LIABILITIES AND EQUITY</b>		
Liabilities		
Deposits held	\$ 291,674	\$ 296,561
Net Assets		
Reserved for scholarships	<u>33,345</u>	<u>35,333</u>
Total liabilities and equity	<u>\$ 325,019</u>	<u>\$ 331,894</u>

Alpena Public Schools

**FIDUCIARY FUND TYPES**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DEPOSITS HELD**

	<u>Balances</u> <u>July 01, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2008</u>
<b>STUDENT ACTIVITIES</b>				
High School	\$ 157,791	\$ 347,878	\$ 349,805	\$ 155,864
Junior High	63,341	118,562	125,269	56,634
Elementary	70,977	140,441	140,562	70,856
Adult & Alternative Education	4,452	20,753	16,885	8,320
	<u>296,561</u>	<u>627,634</u>	<u>632,521</u>	<u>291,674</u>
<b>SCHOLARSHIPS</b>				
Bouchey Scholarship	1,611	28	1,000	639
Finch Scholarship	4,698	195	-	4,893
Kennedy Scholarship	26,663	1,027	2,000	25,690
Miscellaneous Scholarships	2,361	1,262	1,500	2,123
	<u>35,333</u>	<u>2,512</u>	<u>4,500</u>	<u>33,345</u>
	<u>\$ 331,894</u>	<u>\$ 630,146</u>	<u>\$ 637,021</u>	<u>\$ 325,019</u>

Alpena Public Schools

**SCHEDULE OF INDEBTEDNESS**

June 30, 2008

	<u>Interest Rate</u>	<u>Fiscal Year of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
1996 Building and Site Bonds	5.500%	2009	<u>\$ 545,000</u>	<u>\$ 29,975</u>
Date of Issue: August 14, 1996				
Amount of Issue: \$26,995,000				
Amount Refunded: \$18,540,000				
1998 Building and Site	4.150%	2009	495,000	64,700
Refunding Bonds	4.200%	2010	510,000	44,158
Date of Issue: October 15, 1998	4.250%	2011	<u>535,000</u>	<u>22,738</u>
Amount of Issue: \$9,460,000				
Amount Refunded: \$7,105,000			<u>1,540,000</u>	<u>131,596</u>
1998 School Improvement Bonds	4.761%	2009	29,021	7,598
Date of Issue: November 24, 1998	4.761%	2010	84,538	25,310
Amount of Issue: \$689,855	4.761%	2011	31,849	4,769
	4.761%	2012	33,363	3,253
	4.761%	2013	<u>34,953</u>	<u>1,664</u>
			<u>213,724</u>	<u>42,594</u>
1999 Building and Site	4.300%	2009	45,000	424,548
Refunding Bonds	4.400%	2010	50,000	422,612
Date of Issue: February 4, 1999	4.500%	2011	55,000	420,412
Amount of Issue: \$9,400,000	4.500%	2012	695,000	417,966
	4.500%	2013	725,000	387,038
	4.550%	2014	755,000	354,412
	4.600%	2015	785,000	320,060
	4.650%	2016	820,000	283,950
	4.700%	2017	845,000	245,820
	4.750%	2018	855,000	206,106
	4.800%	2019	860,000	165,492
	4.750%	2020	865,000	124,212
	4.750%	2021	875,000	83,126
	4.750%	2022	<u>875,000</u>	<u>41,562</u>
			<u>9,105,000</u>	<u>3,897,316</u>

Alpena Public Schools

**SCHEDULE OF INDEBTEDNESS**

June 30, 2008

	Interest Rate	Fiscal Year of Maturity	Principal Payable	Annual Interest Payable
2008 Building and Site Refunding Bonds	0.000%	2009	\$ -	\$ 316,839
Date of Issue: February 19, 2008	2.750%	2010	628,438	274,187
Amount of Issue: \$8,130,000	3.000%	2011	647,465	257,137
Bond Premium: \$136,290	3.000%	2012	585,126	238,088
	3.000%	2013	598,449	220,838
	3.000%	2014	610,076	203,138
	3.250%	2015	634,975	184,987
	3.250%	2016	644,550	164,675
	3.500%	2017	670,336	143,875
	3.500%	2018	658,313	120,775
	3.500%	2019	637,680	98,025
	4.000%	2020	659,162	75,800
	4.000%	2021	648,547	50,400
	4.000%	2022	643,173	25,200
			<u>8,266,290</u>	<u>2,373,964</u>
2006 Capital Lease-Purchase	12.044%	2009	6,659	2,923
	12.044%	2010	7,507	2,075
	12.044%	2011	8,463	1,119
	12.044%	2012	4,627	164
			<u>27,256</u>	<u>6,281</u>
2008 Capital Lease-Purchase	12.124%	2009	16,840	12,268
	12.124%	2010	18,998	10,109
	12.124%	2011	21,434	7,673
	12.124%	2012	24,182	4,925
	12.124%	2013	27,259	1,825
			<u>108,713</u>	<u>36,800</u>
Accrued Vacation		2009	<u>160,468</u>	<u>-</u>
Total			<u>\$ 19,966,451</u>	<u>\$ 6,518,526</u>

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## **FEDERAL FINANCIAL ASSISTANCE**

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2008

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Michigan Department of Education (MDE):			
Food Donation	10.550		
Entitlement commodities		N/A	\$ 102,157
Bonus commodities		N/A	1,126
			<u>103,283</u>
School Breakfast Program	10.553		
National School Lunch-Breakfast		071970	180,707
National School Lunch-Breakfast		081970	182,772
			<u>363,479</u>
National School Lunch Program	10.555		
Section 11 - Free and reduced lunches		071960	524,790
Section 11 - Free and reduced lunches		081960	520,215
Section 4 - All lunches		071950	112,730
Section 4 - All lunches		081950	93,805
			<u>1,251,540</u>
Fresh Fruit and Vegetable Program	10.582		
Fresh Fruit and Vegetable Program		070950 03392	12,529
			<u>12,529</u>
Total U.S. Department of Agriculture			<u>1,730,831</u>
<u>U.S. Department of Labor</u>			
Passed through Northeast Michigan Consortium (NMC):			
Workforce Investment Act ( W.I.A.) Youth Activities	* 17.259		
In-School Youth		WIA Youth 06-01	214,406
Out-of School Youth		WIA Youth 06-01	253,346
In-School Youth		WIA Youth 07-01	207,817
Out-of School Youth		WIA Youth 07-01	229,787
			<u>905,356</u>
Total U.S. Department of Labor			<u>905,356</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2007	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2008	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
\$ -	\$ -	\$ 102,157	\$ 102,157	\$ -	\$ 102,157
-	-	1,126	1,126	-	1,126
-	-	103,283	103,283	-	103,283
-	163,534	17,173	17,173	-	180,707
-	-	149,753	182,772	33,019	182,772
-	163,534	166,926	199,945	33,019	363,479
-	461,097	63,693	63,693	-	524,790
-	-	421,325	520,215	98,890	520,215
-	99,662	13,068	13,068	-	112,730
-	-	85,522	93,805	8,283	93,805
-	560,759	583,608	690,781	107,173	1,251,540
894	12,529	894	-	-	12,529
894	12,529	894	-	-	12,529
894	736,822	854,711	994,009	140,192	1,730,831
22,038	225,737	15,188	-	6,850	225,737
25,838	248,865	18,988	(6,850)	-	242,015
-	-	188,303	207,927	19,624	207,927
-	-	207,363	224,268	16,905	224,268
47,876	474,602	429,842	425,345	43,379	899,947
47,876	474,602	429,842	425,345	43,379	899,947

The accompanying notes are an integral part of this statement.

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2008

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed through State of Michigan Department of Education (MDE):			
Adult Education - State Grant Program	84.002		
Adult Basic Education - Instruction		071130 710297	\$ 47,300
Adult Basic Education - Instruction		081130 810297	47,300
			<u>94,600</u>
Title I Grants to Local Educational Agencies	* 84.010		
Title I - Part A Improving Basic Programs		071530 0607	1,004,998
Title I - Part A Improving Basic Programs		081530 0708	1,192,035
			<u>2,197,033</u>
Title I Program for Neglected & Delinquent Children	* 84.013		
Title I - Part D N or D Prev		061700 0607	18,281
Title I - Part D N or D Prev		071700 0607	41,763
Title I - Part D N or D Prev		081700 0708	68,372
			<u>128,416</u>
Vocational Education - Basic Grants to States	84.048		
Vocational Education - Regional allocation		073520 7012-4	228,652
Vocational Education - Regional allocation		083520 8012-4	226,449
			<u>455,101</u>
Safe and Drug Free Schools and Communities	84.186		
Safe and Drug-Free Schools		062860 0506	30,845
Safe and Drug-Free Schools		072860 0607	24,347
Safe and Drug-Free Schools		072860 0708	655
Safe and Drug-Free Schools		082860 0708	25,304
			<u>81,151</u>
Education for Homeless Children and Youth	84.196		
Homeless Student Assistance		072320 0607	18,756
Homeless Student Assistance		072320 0708-C	9,104
Homeless Student Assistance		082320 0708	19,829
			<u>47,689</u>
Tech-Prep Education	84.243		
Vocational Education Tech-Prep		073540 7014-4	79,148
Vocational Education Tech-Prep		083540 8014-4	82,343
			<u>161,491</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2007	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2008	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
\$ 9,636	\$ 47,300	\$ 9,636	\$ -	\$ -	\$ 47,300
-	-	37,927	47,300	9,373	47,300
9,636	47,300	47,563	47,300	9,373	94,600
79,957	816,298	95,648	15,691	-	831,989
-	-	958,933	1,071,486	112,553	1,071,486
79,957	816,298	1,054,581	1,087,177	112,553	1,903,475
5,234	10,000	5,234	-	-	10,000
(239)	14,761	16,443	16,682	-	31,443
-	-	47,840	49,673	1,833	49,673
4,995	24,761	69,517	66,355	1,833	91,116
(2,088)	224,886	(2,088)	-	-	224,886
-	-	219,789	219,789	-	219,789
(2,088)	224,886	217,701	219,789	-	444,675
-	-	(1)	(1)	-	(1)
(192)	23,496	-	-	(192)	23,496
-	-	655	655	-	655
-	-	24,525	24,525	-	24,525
(192)	23,496	25,179	25,179	(192)	48,675
(4,510)	8,490	(3,348)	1,162	-	9,652
-	-	9,104	9,104	-	9,104
-	-	16,702	17,018	316	17,018
(4,510)	8,490	22,458	27,284	316	35,774
1,583	74,800	1,583	-	-	74,800
-	-	70,298	76,365	6,067	76,365
1,583	74,800	71,881	76,365	6,067	151,165

The accompanying notes are an integral part of this statement.

Alpena Public Schools  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2008

<u>Federal Grantor / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed through State of Michigan Department of Education (MDE):			
State Grants for Innovative Programs	84.298		
Title V, Part A Innovative		060250 0607	\$ 1,331
Title V, Part A Innovative		080250 0708	4,975
			<u>6,306</u>
Education Technology State Grants	84.318		
Title II, Part D Education Technology		074290 0607	10,316
Title II, Part D Education Technology		084290 0708	11,105
			<u>21,421</u>
Improving Teacher Quality State Grants	84.367		
Title II A - Teacher Training		070520 0607	329,731
Title II A - Teacher Training		080520 0607	371,322
			<u>701,053</u>
Total Michigan Department of Education (MDE)			<u>3,894,261</u>
Passed through Macomb Intermediate School District:			
Special Education - Grants to States	84.027		
Michigan Integrated Behavior and Learning and Support Initiative		0607 0708	9,000 6,000
			<u>15,000</u>
Passed through TBA Intermediate School District:	84.318		
Title II, Part D Education Technology Career Forward Grant		084290 0708	3,000 3,000
			<u>3,000</u>
Total U.S. Department of Education			<u>3,912,261</u>
<u>Corporation for National and Community Service</u>			
Passed through Michigan Department of Labor & Economic Growth			
Federal CNS Learn & Serve	94.006	MCSC/SBLS/F-129-07	6,000
			<u>6,000</u>
Total			<u>6,000</u>
Total Federal Awards			<u>\$ 6,554,448</u>

\* Major Program

Accrued or (Deferred) Revenue at June 30, 2007	Prior Year (s) Federal Expenditures	Current Year		Accrued or (Deferred) Revenue at June 30, 2008	Total Federal Expenditures
		Receipts (Cash Basis)	Federal Expenditures		
\$ 1,331	\$ 1,331	\$ 1,331	\$ -	\$ -	\$ 1,331
-	-	3,822	3,822	-	3,822
1,331	1,331	5,153	3,822	-	5,153
2,173	8,788	2,173	-	-	8,788
-	-	10,313	10,360	47	10,360
2,173	8,788	12,486	10,360	47	19,148
60,685	287,458	60,685	-	-	287,458
-	-	310,891	358,824	47,933	358,824
60,685	287,458	371,576	358,824	47,933	646,282
153,570	1,517,608	1,898,095	1,922,455	177,930	3,440,063
(2,230)	6,770	-	2,230	-	9,000
-	-	6,000	5,572	(428)	5,572
(2,230)	6,770	6,000	7,802	(428)	14,572
-	-	3,000	799	(2,201)	799
-	-	3,000	799	(2,201)	799
151,340	1,524,378	1,907,095	1,931,056	175,301	3,455,434
1,315	1,315	4,400	3,085	-	4,400
1,315	1,315	4,400	3,085	-	4,400
1,315	1,315	4,400	3,085	-	4,400
\$ 201,425	\$ 2,737,117	\$ 3,196,048	\$ 3,353,495	\$ 358,872	\$ 6,090,612

The accompanying notes are an integral part of this statement.

Alpena Public Schools

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Alpena Public Schools, Alpena, Michigan. The Alpena Public Schools' reporting entity is defined in Note 1 to the School District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the schedule.

In June 1997, the Office of Management and Budget revised OMB Circular A-133, re-titled *Audits of States, Local Governments, and Non-Profit Organizations*. The revised circular established a risk-based approach to determine which Federal programs were major programs. This risk-based approach included consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. Major program determination was performed and is defined in Section 520 of the circular.

For the audit period ended June 30, 2008, the Alpena Public Schools dollar threshold for larger Federal programs, which were regarded as Type A programs, were programs with Federal awards expended during the audit period which exceeded \$300,000. All other Federal programs were regarded as Type B programs. For the year ended June 30, 2008, the Alpena Public Schools qualified as a low risk auditee as defined in Section 530 of the circular. No federal programs were considered to be high-risk and the determination was made that major programs were all Type A programs to encompass at least 25% of the total federal awards expended. During the year ended June 30, 2008, Alpena Public Schools expended 47% of its total expenditures of Federal Awards under Type A programs audited as Major Programs.

**NOTE 2--BASIS OF ACCOUNTING.**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the School District's financial statements.

**NOTE 3--CFDA.**

This refers to the Catalog of Federal Domestic Assistance.

**NOTE 4--RELATIONSHIP TO FINANCIAL STATEMENTS.**

Revenues from federal sources are reported in the Alpena Public Schools' financial statements as follows:

	<u>Federal Revenues</u>
General Fund	\$ 2,359,486
Special Revenue Funds:	
Food Service Fund	<u>994,009</u>
Total Federal Revenues	<u>\$ 3,353,495</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,353,495</u>



Alpena Public Schools

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 5--RECONCILIATION OF CURRENT YEAR RECEIPTS.**

The following shows a reconciliation of current year receipts per the Schedule of Expenditures of Federal Awards to current payments per Michigan Department of Education and other pass through agencies:

Current year receipts passed through	
Michigan Department of Education:	
U.S. Department of Education	\$ 1,898,095
U.S. Department of Agriculture	<u>751,428</u>
	<u>2,649,523</u>
 Add:	
 Commodities food distribution	
reported on the Recipient Entitlement	
Balance Report (PAL)	103,283
 Workforce Investment Act receipts	
Passed through Northeast Michigan Consortium	429,842
 Title II, Part D Education Technology	
Passed through TBA Intermediate School District	3,000
 Corporation for National and Community Service	
Passed through Michigan Department of Labor	
and economic growth	4,400
 Michigan Integrated Behavior and Learning and	
Support Initiative	
Passed through Macomb Intermediate School District	<u>6,000</u>
  Cash Basis Receipts	  <u>\$3,196,048</u>

**NOTE 6--RECEIPTS.**

Current year receipts represent cash/payments-in-kind received from Federal sources during the period July 1, 2007 through June 30, 2008.

**NOTE 7--SOURCE DOCUMENTATION.**

When possible, project expenditures are vouched to various other supporting documentation, such as MDE Form DS-4044. Instances, if any, where the federal expenditures do not agree with supporting documents, have been reported as a finding.

Alpena Public Schools

**REPORT ON PRIOR AUDIT FINDINGS**

For the year ended June 30, 2008

There were no findings or questioned costs in the prior year.



Certified Public Accountants

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To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.** We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Alpena Public Schools, Alpena, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the **Alpena Public Schools, Alpena, Michigan's** basic financial statements and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the **Alpena Public School's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Alpena Public School's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Alpena Public School's** internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the **Alpena Public School's** ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the **Alpena Public School's** financial statements that is more than inconsequential will not be prevented or detected by the **Alpena Public School's** internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the **Alpena Public School's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Alpena Public School's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Alpena Public School's, Alpena, Michigan**, in a separate letter dated October 1, 2008.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Staley, Irlby & Lamp P.C.*

October 1, 2008



Certified Public Accountants

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To the Board of Education  
**Alpena Public Schools**  
Alpena, Michigan

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
AND SUPPLEMENTAL SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE.**

Compliance

We have audited the compliance of **Alpena Public Schools, Alpena, Michigan**, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. **Alpena Public Schools, Alpena, Michigan's**, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Alpena Public School's** management. Our responsibility is to express an opinion on **Alpena Public School's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Alpena Public Schools, Alpena, Michigan's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **Alpena Public Schools, Alpena, Michigan's** compliance with those requirements.

In our opinion, **Alpena Public Schools, Alpena, Michigan**, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal financial assistance programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the **Alpena Public Schools, Alpena, Michigan**, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the **Alpena Public Schools, Alpena, Michigan's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of **Alpena Public Schools, Alpena, Michigan's** internal control over compliance.

*A control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Federal Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Alpena Public Schools, Alpena, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise the **Alpena Public Schools, Alpena, Michigan's** basic financial statements and have issued our report thereon dated October 1, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the **Alpena Public Schools, Alpena, Michigan's**, basic financial statements. The accompanying schedule of Federal Financial Assistance is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stratney, Irlby & Lamp P.C.*

October 1, 2008

Alpena Public Schools

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2008

A. Summary of Audit Results

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Alpena Public Schools.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. The results of our tests disclosed no instances of noncompliance material to the financial statements of the Alpena Public Schools that are required to be reported under Government Auditing Standards.
4. No reportable conditions in internal control over Major Programs are reported in the Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Supplementary Schedule of Expenditures of Federal Awards.
5. The Auditors' Report on Compliance for Major Programs expresses an unqualified opinion.
6. The Auditors' report disclosed no instances of findings relative to the major federal award programs required to be reported under OMB Circular A-133.
7. Programs tested as major programs:

Workforce investment Act (W.I.A.)	CFDA #17.259
Title I Grants to Local Educational Agencies	CFDA #84.010
Title I Program for Neglected & Delinquent Children	CFDA #84.013
8. The threshold for distinguishing Type A and Type B Programs was \$300,000.
9. Alpena Public Schools qualified as a low-risk auditee under criteria in Section 530 of (OMB) Circular A-133.

B. Summary of Findings Relating to the Financial Statements.

There were no findings relating to the financial statements which are required to be reported under generally accepted government auditing standards.

C. Findings and Questioned Costs of Major Federal Award Programs.

There were no findings or questioned costs related to the major federal award programs for the year ended June 30, 2008.

Alpena Public Schools

**CORRECTIVE ACTION PLAN**

For the year ended June 30, 2008

A Corrective Action Plan is not required since there are no findings or questioned costs.





Certified Public Accountants

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To the Board of Education  
Alpena Public Schools  
Alpena, Michigan

We have completed our engagement of the audit of the financial statements of the Alpena Public Schools (the "District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following:

Letter of increased audit communications as prescribed by Statement on Auditing Standards (SAS) 112

Letter of required audit communication, as prescribed by SAS 114

Other recommendations and informational comments which impact the District

	<u>Page</u>
<b>Internal Control Communications (SAS 112 Letter)</b>	<b>2</b>
<b>Audit Communications (SAS 114 Letter)</b>	<b>4</b>

We commend the School for its excellent recordkeeping system and appreciate the opportunity to serve the Alpena Public Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

*Straley, Ilsley & Lamp P.C.*

October 14, 2008



Certified Public Accountants

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### INTERNAL CONTROL COMMUNICATIONS

To the Board of Education  
Alpena Public Schools  
Alpena, Michigan

New auditing rules have resulted in changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the school board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alpena Public Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Alpena Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We wish to thank the staff of the Alpena Public Schools for their assistance during the audit.

This report is intended solely for the information and use of the management, the Board of Education, and others within the organization, and the State of Michigan Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve the Alpena Public Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Straley, Itslay & Lamp P.C.*

October 14, 2008



*Certified Public Accountants*

## STRALEY, ILSLEY & LAMP P.C.

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### AUDIT COMMUNICATIONS

To the Board of Education  
Alpena Public Schools  
Alpena, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alpena Public Schools for the year ended June 30, 2008, and has issued our report thereon dated October 1, 2008. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter dated July 1, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Alpena Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Alpena Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Alpena Public School's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on 's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Alpena Public School's compliance with those requirements.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 9, 2008.

## **Significant Audit Findings**

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Alpena Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the charges to other funds: i.e., insurance in the internal service fund is based upon management's assumptions about the estimated rates necessary to fund self insurance of the hospitalization, dental, vision and prescription claims from the School District's employees. We evaluated the key factors and assumptions used to develop the charges in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 1, 2008.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Eleven new auditing standards have been issued that require significant changes in how audits are performed. Similar to the Sarbanes-Oxley rules that impacted publicly held corporations, these rules are intended to help audited entities strengthen their internal controls. In brief, these new rules require all auditors to:

- Obtain a deeper understanding of the design and operation of internal control
- Assess the effectiveness of internal control
- Obtain corroborating evidence that the understanding is correct and the assessment is appropriate (i.e., inspection of documents, observation of procedures, or inquiry)
- Consider “what could go wrong” in the financial statement process (evaluate the risks of financial statement errors)
- Link the results to specific further audit procedures
- Communicate a summary of the results of the auditor’s work to those charged with governance (the Board of Education)

As you can see, auditors will spend significantly more time working with all aspects of your internal control. These new rules are not limited to the public sector – they will apply to any organization that obtains an audit (nonprofit organization, private company, etc.). These new rules have impacted audited organizations in two ways: your finance staff has incurred more time and effort in preparation for the audit, and the audit process has required additional time.

### **Other Matters**

1. Recent Pronouncements. The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way the Alpena Public Schools maintains its financial records:

- A. GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.** This statement will require governmental units to record the cost of benefits (such as health insurance, life insurance, etc) in the periods when the related services are received by the employer if these benefits are not provided for through a pension plan. This will require the School District to accrue and report an actuarially computed liability for any future postemployment benefit other than pensions. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2010.
- B. GASB Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations.** This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This will require the School District to capitalize pollution remediation outlays in the future. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2009.
- C. GASB Statement No. 51 Accounting and Financial Reporting for Intangible Assets.** This statement establishes consistent standards as to whether intangible assets including easements, timber rights, and computer software should be considered capital assets for financial reporting purposes. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2010.
- D. GASB Statement No. 52 Land and Other Real Estate Held as Investments by Endowments.** This statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of the endowments. Reporting land and other real estate held as investments at fair value enhances user's ability to meaningfully evaluate an entity's investment decisions and performance. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2009.

## **2. Issues Likely to Impact Schools.**

- A. Government Deposit Insurance.** Under Michigan Law, governmental units, including School Districts, are directed and limited where they may invest or deposit public funds. Depository institutions such as banks, credit unions, or savings and loans may offer FDIC insurance coverage.

The insurance coverage of a school's accounts depends upon the type of deposit. All time and savings deposits (which include NOW accounts, CD's, money market deposit accounts, and other interest-bearing accounts) held by a school in a particular insured depository institution within the State are added together and insured up to \$250,000 (until December 31, 2009). Separately, all demand deposits (checking accounts) held in the same insured depository institution within the same State are added together and insured up to \$250,000. Special rules apply to funds that are required to be set aside for debt owed to holders of notes or bonds – additional insured coverage may be available for the beneficial interest of each bondholder.

Recent market events have indicated that certain financial institutions, including some within the Midwest region, may be experiencing financial distress. In the event of a regulatory takeover of a financial institution, uninsured or underinsured depositors may not receive all of their funds back after the regulatory takeover.

We encourage the school to perform the necessary due diligence to assure itself that it has the protection and coverage it desires to protect its public funds.

**B. IRS 403(b) Final Regulations (Tax Sheltered Annuities).** For the first time in 40 years, the IRS has published comprehensive 403(b) guidance in the form of final regulations. The regulations require much more School District involvement than was necessary in the past. The regulations also require a written plan and generally place the burden on the School District to make sure that the plan is administered in accordance with the terms of what will become, for many School Districts, their first 403(b) plan document.

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

We wish to thank the staff of the Alpena Public Schools for their assistance during the audit.

This report is intended solely for the information and use of Alpena Public Schools Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We commend the Alpena Public Schools for its excellent record keeping system and appreciate the opportunity to serve the Alpena Public Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

*Straley, Isley & Lamp P.C.*

October 14, 2008